Bosnia-Hercegovina

Only Clinton can stop the Serbs

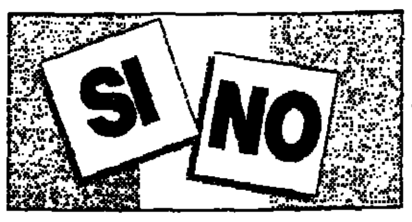
Joe Rogaly, Page 12

ABB

Eastern Europe

Western industry faces a clash of cultures

Page 13



Italy decides

A rainbow of referendums

Page 3

Tomorrow's Weekend FT

Chorus of approval for Covent Garden

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY APRIL 16 1993 — D8523A

KIO launches writs in effort to recover $500m

The Kuwait Investment Office, the external investment arm of the Kuwaiti government, launched writs in the UK seeking recovery of more than $500m. The KIO alleges the money was misappropriated from Grupo Torras, its Spanish business now in receivership, and a London offshoot, Torras Hostench London. The writs come after KIO's failure to persuade Spanish courts to begin criminal proceedings. Page 15

USAir is continuing efforts to improve its balance sheet with an offering of up to $260m-worth of ordinary shares. The US airline, in which British Airways invested $300m earlier this year, plans to sell 10m new shares. Page 15

Rodney King verdict awaited: Jurors resumed deliberations in the trial of four Los Angeles police officers charged with beating black driver Rodney King. Fears that the illness of a juror might delay the trial proved unfounded. Page 6

Forte, hotel and restaurants group, cut its dividend for the first time in 20 years as it warned there were few signs of recovery and announced a reduction in US operations. Forte reported annual pre-tax profits of £164m ($248m) against a restated £59m last time. Page 15; Lex, Page 14

Major pushes for Maastricht ratification:

The UK government, led by John Major (left), embarked on a high-risk strategy to outflank opponents of the Maastricht treaty within the Conservative party. Mr Major agreed to a demand by the opposition Labour party to make ratification contingent on a debate on Britain's opt-out from the social chapter. The move could mark a breakthrough in the prime minister's 18-month battle to secure ratification. Page 14

Banks may sell O&Y stakes: An international group of banks is examining ways to dispose of the majority shareholdings, worth more than C$1bn (US$795m), which it controls in Abitibi-Price and Gulf Canada Resources, both nominally owned by Olympia & York. Page 15

SA death toll reaches 17: The death toll from Wednesday's South African protest against the assassination of ANC leader Chris Hani rose to 17 after 11 people were massacred in Natal province. Page 14

J.P. Morgan, New York banking group, reported strong first-quarter earnings – up to $432m from $364m a year ago – after a rebound in trading profits and healthy underwriting revenues. Page 17

Indian business applauds reforms: Indian industrialists welcomed government moves to liberalise investment in the motor, white goods and leather industries – a significant extension of attempts to deregulate the economy. Page 5

US may shift on biodiversity: The US may back the biodiversity convention, which it refused to sign at last year's Rio Earth Summit, when President Bill Clinton delivers a speech on environmental policy, expected next week. Page 6

Vietnam oil deal: A consortium led by Australia's BHP Petroleum signed contracts to exploit Vietnam's Dai Hung (Big Bear) oil field worth $1.5bn over 20 years. Page 5

Ilva, Italian steel group, outlined long-awaited restructuring plans to lower its debts and restore earnings. Page 16

Upturn in UK housing market: Firm evidence of an improvement in the housing market emerged from real estate agents, adding weight to the belief that Britain may be slowly emerging from recession. Page 7

Matsushita downgraded: Moody's has downgraded the long-term debt ratings of Matsushita Electric Industrial from triple-A to Aa2, reflecting concern over its core consumer electronics business. Page 18

German arsonists sentenced: A Rostock court sentenced three right-wing extremists to jail terms of two to three years for firebombing a hostel for Romanian gypsies last August. The sentence on one was suspended.

Bid talk boosts Petrofina: Shares in Petrofina, Belgian oil and gas company, rose 6 per cent in heavy trading on the Brussels bourse, amid speculation about a takeover, with Elf-Aquitaine as a possible suitor. Page 16

■ STOCK MARKET INDICES

FT-SE 100:	2839.7	(-2.4)
Yield	4.01	
FT-SE Eurotrack 100	1156.40	(-4.23)
FT-A All-Share	1392.08	(-0.1%)
Nikkei	20,675.84	(+142.26)
New York lunchtime		
Dow Jones Ind Ave	3439.44	(-16.20)
S&P Composite	446.53	(-2.13)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	2.88%
Long Bond	104$\frac{31}{32}$
Yield	6.757%

■ LONDON MONEY

3-mo Interbank	6%	(Same)
Liffe long gilt future:	Jun 106$\frac{11}{32}$	(Jun 106$\frac{7}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (May)	$18.81	(18.945)

■ Gold

New York Comex June	$338.3	(340.8)
London	$338.15	(339.2)

■ STERLING

New York lunchtime:		
$	1.542	
London:		
$	1.5465	(1.5525)
DM	2.4775	(2.47)
FFr	8.37	(8.3475)
SFr	2.26	(Same)
Y	175.0	(177.0)
£ Index	80.8	(Same)

■ DOLLAR

New York lunchtime:		
DM	1.6045	
FFr	5.4255	
SFr	1.465	
Y	113.25	
London:		
DM	1.6025	(1.5915)
FFr	5.4125	(5.3775)
SFr	1.462	(1.456)
Y	113.2	(113.85)
$ Index	64.3	(64.4)

Tokyo close Y 113.43

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Package is tied to continued reform and co-operation with west on foreign policy

G7 backs Yeltsin with $43bn in aid

By Charles Leadbeater and Robert Thomson in Tokyo

THE Group of Seven leading industrialised nations yesterday threw their weight behind President Boris Yeltsin and his economic reforms ahead of the Russian referendum with a financial package worth $43bn.

Although the bigger than expected package includes some existing commitments, it is explicitly tied to continued economic and political reform in Russia, strengthening Mr Yeltsin's hand against his opponents.

The G7 package is also tacitly linked to continued Russian co-operation on foreign policy issues. It seeks particularly to ensure that Moscow does not to stand in the way of western plans to implement tougher sanctions against Serbia in the bid to resolve the deepening crisis in former Yugoslavia.

"Russian reform and progress towards democratisation are essential to world peace," the G7 said. "We assure the Russian people of our support in coping with the inevitable hardships of the transition period."

Mr Warren Christopher, the US secretary of state, warned that the "world will be a considerably more dangerous place" if Mr Yeltsin and his reforms did not prevail. The package was "in no way a programme of charity", he said.

The latest effort by the G7 to prop up Mr Yeltsin came as the Russian leader went on the offensive in Moscow in his efforts to win popular support for his presidency in a referendum on April 25.

Something old, something new for embattled Yeltsin......Page 4
Tight rules set out for foreign banks......Page 4
Editorial Comment......Page 13

He told supporters he would not obey the strict rules for the referendum set by his rivals in the Russian parliament and ordered a drastic cut in the privileges and duties of his rebellious vice-president General Alexander Rutskoi.

The bulk of the multilateral aid package comprises existing commitments of assistance from international financial institutions such as the World Bank and the International Monetary Fund which have been brought together for the first time.

The main new ingredients are confirmation of an innovative $3bn IMF loan facility which will be available in two tranches as Russia adopts policies designed to curb inflation and its budget deficit.

In addition there will be a $300m small business development fund mainly financed by the European Bank for Reconstruction and Development. The EBRD will also prepare plans for a Russian bank for small business development.

The other main ingredients of the package are:

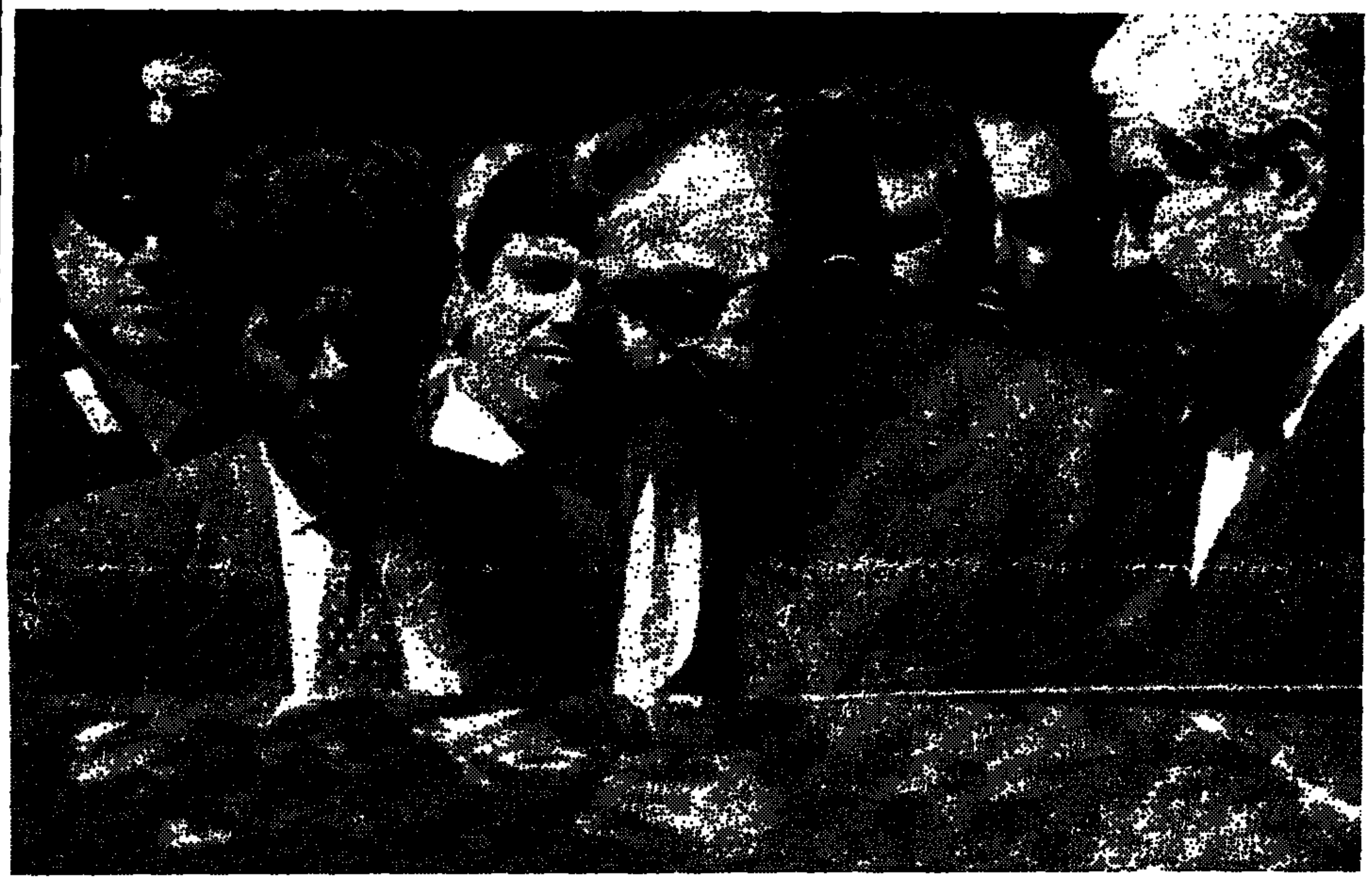
- A $15bn debt rescheduling deal agreed by Russia's 19 creditor countries in Paris on April 2.
- About $10bn in longer term loans from the IMF which were originally offered last year but not taken up by the Russians.
- The US, Japan and the UK between them made new bilateral pledges of aid worth more than $4bn. Much of this is expected to form part of a commitment from G7 countries to provide export credits totalling about $10bn.
- Loans from the World Bank to restructure Russian industry worth about $5bn, most of which will be made available over the next 15 months.

The ministers also agreed to study a US proposal for a $4bn fund to promote the privatisation of large state run enterprises. US officials said they were not disappointed that the fund had not been agreed but they made it clear the US expects such a fund to be approved at the G7 heads of state summit due to be held in Tokyo in July.

Mr Boris Fyodorov, the Russian deputy prime minister who attended the two days of talks with G7 foreign and finance min-

Continued on Page 14

Andreotti denies Mafia informants' allegations



Former Italian premier Giulio Andreotti, escorted by bodyguards, leaves the Rome senate committee hearing into allegations he had links with the Mafia. Mr Andreotti told the hearing that the accusations were "shameless lies". Earlier this month two Mafia informants told Sicilian magistrates in the US that Mr Andreotti had personally met Cosa Nostra godfathers and asked the Mafia to carry out two political murders.

Last month, Palermo magistrates asked the senate to lift the immunity from prosecution Mr Andreotti has as a life senator. They want him to face trial on charges of Mafia conspiracy.

Italian upheaval, Page 3

AT&T aims to move into UK telecom market

By Alan Cane in London

A MOVE BY America's largest telephone operator to challenge the two British operators on their home ground by offering international businesses their own private networks was yesterday welcomed by the British government.

The UK Department of Trade and Industry, which favours opening the country's £15bn ($23bn) telephone market to foreign competition, said that the move by American Telephone & Telegraph would be considered on its merits.

The AT&T application is in direct retaliation for an application by BT, the UK's largest operator, to the US Federal Communications Commission for a licence enabling it to sell international customers a broad range of voice, data and video services.

The UK company yesterday said it welcomed AT&T's application and the prospect of competition, but argued that its success should be dependent on the success of its own application to the FCC.

Mercury Communications' response, however, reflected its difficulties in negotiating access to BT's UK network. The UK's other licensed carrier said it welcomed AT&T's recognition that BT's dominance of the local distribution of telephone calls was the main bottleneck to the growth of effective competition in the UK.

AT&T's initial intention is to offer international business customers a range of services based on the resale of telephone lines purchased from BT or Mercury.

It made it clear, however, that the aim is eventually to compete comprehensively in the UK, selling services to both business and domestic customers and creating its own network. AT&T said it was aware its plans needed the approval of both the UK and US governments.

The DTI said yesterday that it welcomed the application as evidence that AT&T believed there were equivalent opportunities for US companies in the UK as for UK telecommunications operators in the US.

Continued on Page 14
Customers the winners, Page 7

Major and Owen reject call to lift Bosnia arms embargo

By Robert Mauthner

MR JOHN MAJOR, the British prime minister, and Lord Owen, one of the international mediators for a peace agreement in Bosnia, yesterday rejected suggestions that supplying arms to the Moslems would help resolve the year-old conflict there.

Mr Major, answering a parliamentary question, said the weapons flow to all sides should be cut off rather than increased.

The US has said that a partial lifting of the UN arms ban to help the Moslems defend themselves against Serb attacks was under consideration to put pressure on the Bosnian Serbs to sign the peace plan drawn up by Mr Cyrus Vance and Lord Owen.

The public endorsement of such a step earlier this week by the former British prime minister, Lady Thatcher, has provoked a passionate political debate in Britain about the need for the international community to take more decisive action to stop Serb aggression in Bosnia.

"The whole European Community takes the view that lifting the arms embargo is not the right priority at this stage and that the fundamental thing is tightening sanctions" against the rump Yugoslav federation of Serbia and Montenegro, Lord Owen said in a BBC radio interview.

Speaking after talks in London with Mr Reginald Bartholomew, the US special envoy to the peace talks, Lord Owen said the danger of arming the Moslems was that it would unleash a sophisticated arms race, with the Russians supplying Serbia and Montenegro.

Mr Cedric Thornberry, deputy chief of the UN Protection Force mission in Zagreb, also said the lifting of the arms embargo was "not a very practical or useful idea. If you put more arms into Bosnia, you get more war."

Risks of intervention.....Page 2
Pressure on Moscow.....Page 4

The international mediators have always believed Serbian president Slobodan Milosevic can play a key role in persuading the Bosnian Serbs to accept the plan, which only the Bosnian Croats and Moslems have signed.

At a 40-minute meeting later yesterday with Mr Douglas Hogg, a British Foreign Office minister, Mr Bartholomew was understood to have accepted that a decision to lift sanctions would inevitably increase the fighting in Bosnia and might well result in the suspension of the humanitarian relief operations.

He also conceded that it would be very difficult to get the Russians to approve a UN Security Council resolution to implement such a step. But the US envoy assured Mr Hogg that the lifting of sanctions was not an immediate issue and would only be considered if tighter sanctions failed to work.

Mr Bartholomew, who later had talks with Mr Malcolm Rifkind, the defence secretary, and Mr Hogg agreed that everything possible should be done to ensure that a resolution to tighten economic sanctions against Serbia should be pushed through the Security Council later this month, if the Bosnian Serbs had still not signed the Vance-Owen plan by then.

Laura Silber adds from Belgrade: In Srebrenica, the besieged Moslem enclave in eastern Bosnia, local authorities refused to allow the evacuation of refugees unless the UN provided helicopters for some 500 wounded. A spokeswoman for the UN High Commissioner of Refugees said a relief convoy was allowed to evacuate only five elderly women.

Meanwhile, Serb forces tightened their stranglehold on the town and were reported to be within range of small arms fire.

Elsewhere, Bosnia's Croat forces sealed off key towns in Bosnia-Hercegovina with the aim of forcing Moslem troops to withdraw from provinces designated for Croat control under the Vance-Owen plan.

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

UK currency support plan set for veto

By Peter Marsh, Economics Correspondent

PROPOSALS by Britain to increase support for weak currencies in the European exchange rate mechanism seem likely to be vetoed by other countries in a move which could add a further barrier to the UK's eventual re-entry into the system.

The suggestion was made during discussions by the European Community's committee of central bank governors. The group is meeting early next week in Basle, Switzerland, to finalise a report on possible ERM reforms.

Under the UK's proposal, weak currencies in the system could be helped by joint efforts by several ERM countries, rather than the single country with the strongest currency.

These technical moves would be a mixture of both interventions on currency markets and changes in interest rates. Profits and losses on purchases of weak currencies to increase their value would be shared by all the nations in the system.

The UK suggestion, which comes close to following a policy idea from the opposition Labour party, has received only limited support from the other 11 nations represented on the governors' committee.

One objection, voiced in particular by the German Bundesbank, is that the proposal might reduce the pressures on countries with weak currencies to devalue in order to remove currency strains.

However, some support for the concept of sharing out the burden of supporting weak currencies is believed to have come from nations such as Spain, Portugal and Ireland. These countries in recent months have been forced to devalue their currencies during spells of market turbulence.

Britain's proposal was made during recent debate about possible changes to the ERM in the light of last autumn's crisis on financial markets which forced both sterling and the Italian lira out of the system.

The UK has made clear that it wants changes to so-called "fault lines" in the ERM as a condition for possible re-entry.

While the EC governors are close to finishing their report, a second document on possible changes to the system was finalised this week by the Community's monetary committee. This committee comprises officials from finance ministries as well as central banks. Both reports are to be presented to EC finance ministers at the end of May.

> One objection is that the proposal might reduce the pressures to devalue

Britain's suggestion was made in part to answer criticisms from the Bundesbank that, under current ERM procedures, the country with the strongest currency in the system at one time is obliged to buy whichever currency is the weakest.

That arrangement is seen by some commentators as being unfair on the country with the strongest currency, which by buying weak ones inevitably makes an exchange rate loss.

Heads may roll in Spanish companies

By Peter Bruce and Tom Burns in Madrid

SPAIN'S conservative opposition party, the Partido Popular, which is believed to be slightly ahead of the ruling Socialist party in opinion polls, is raising doubts about whether the chairmen of some of Spain's largest companies would keep their jobs if the PP won the general election on June 6.

The party has said it would leave until after the election any decision on the future shape of the boards of public and semi-public companies. The uncertainty could upset a partial privatisation programme of public companies drawn up by the Socialist government.

It includes flotations of shares in the Repsol oil and energy group, the sale of up to 24.9 per cent of Argentaria, the state-owned banking group, and, possibly, a further reduction of the state's stake in the tobacco monopoly Tabacalera and Endesa, the electricity utility.

In the case of Repsol and Argentaria, institutions leading the flotations have relied heavily on the experience and capabilities of their respective chairmen – Mr Oscar Fanjul and Mr Francisco Luzon, founding chiefs of the companies – to generate interest among foreign investors.

Both men are closely identified with the Socialist government, particularly the Finance Ministry. Repsol has just rushed through a flotation of 13 per cent of its stock.

The state now owns 41 per cent of Repsol, and all of Argentaria.

Argentaria, which has just announced a pricing range for its flotation, could be particularly exposed by the timing of the election.

Asked how the boards of public and semi-public companies would be affected by a PP victory in June, Mr Jose Maria Aznar, PP leader said earlier this week that "it is something I will decide after the election".

It is widely expected in Madrid that the PP would place people of its own choosing at the heads of companies that fall under government control. The Socialists did exactly that when they came to power in 1982 under Prime Minister Felipe González.

Controlling these companies – especially those, such as Telefonica, Repsol and Endesa, whose stock trades in markets outside Spain – are regarded as part of the prize of winning an election.

Officials at groups such as Repsol and Argentaria, say the loss of their chairmen would not necessarily affect the businesses, since both companies have in place strong management structures that would function whoever was in charge.

One leading broker in Madrid said yesterday: "Luzon is central to Argentaria but the strategy has been laid down and a good replacement would surely continue with the group's growth."

A Serb soldier waits during sporadic fighting against Croatian forces near Benkovac in the UN-protected Serb enclave of Krajina

Proposals for outside military intervention all have their risks

No early end to bloodshed

By David White, Defence Correspondent

OUTSIDE military intervention to stop the bombardment of civilians in Bosnia is a daunting prospect for a number of reasons, but the sophistication of Bosnian Serb forces is certainly not among them.

Strong on heavy weapons but low on manpower, they have lacked the infantry strength for decisive territorial advances. Their numbers, reckoned to have shrunk in the past year, are put at 40,000-60,000, against about 40,000 Moslem and 45,000 Croat forces. Serb positions are stretched over a long front, with long lines of communications. The morale of the average soldier is questionable.

Western military experts see the evidence of high-quality officer training dwindling below senior levels. Local commanders are loosely controlled.

With crude siege tactics focusing on civilian targets, Serb units have generally had to do little but protect their gun positions. Their M84 tanks, versions of Russian T-72s, are employed less in their intended role than as artillery pieces. Using high positions, Serb gunners can maintain terror even with a low rate of fire.

This dismal picture fuels the widespread frustration felt by UN troops now involved in relief efforts. But none of the proposals for more forceful military engagement under UN authority promises an early end to the bloodshed.

The main proposals are:

● Tighter enforcement of sanctions. This is feasible but would not directly affect Serb forces' firepower. They have no shortage of weapons or munitions, even though parts of the former Yugoslav arms industry are in Moslem or Croat-areas of Bosnia.

Current stockpiles are sufficient to sustain the war at least through this year – some experts say up to six years.

● Air strikes. Among others, Lord Owen, the EC mediator, has said air power should be considered as a means of pressure on the Serbs. However, the demonstration of western technology in the 1991 Gulf war has led to exaggerated expectations. Conditions there were ideal: open country, good visibility, large targets, wide international backing. Bosnia presents a very different picture.

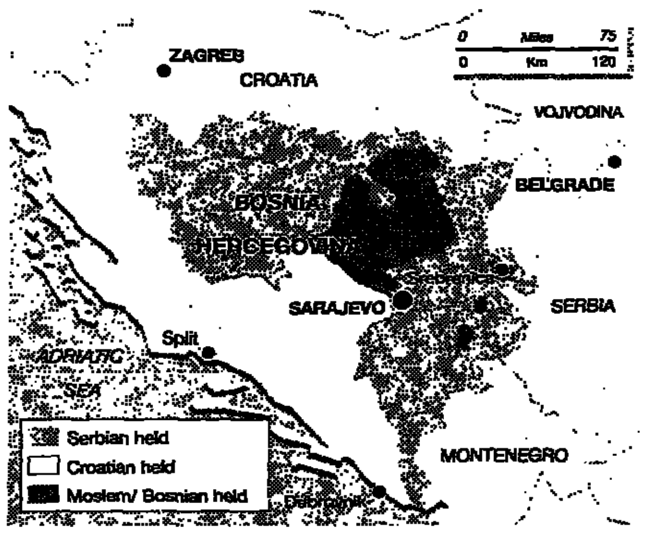
Strikes on artillery positions would destroy some weapons and force the Serbs to move others. But the wooded mountain terrain would make the identification of targets difficult. Munitions are not kept in huge dumps as they are in Iraq.

The US could press into service, as it did in the Gulf, the prototypes of its J-STARS battlefield surveillance aircraft – militarised Boeing 707s with radars able to distinguish, for instance, between tracked vehicles and trucks. But experts believe back-up from ground forces would still be needed.

The risks are that air strikes would force the UN to call off the humanitarian supply effort – which has arguably saved more lives than have been lost in the fighting – and would stiffen Serb determination.

> Serb gunners can maintain terror even with a low rate of fire.

Colonel Richard Connaughton, an expert in military intervention at Lancaster University's Centre for Defence and International Security Studies, says Serb forces would have the means to step up their attacks, making more use of mortars, which can easily be moved around. "The potential is there to be even more bloody."



To meet Russian objections, the recently-launched Operation Deny Flight, enforcing the no-fly zone, precludes attacks on ground targets, except in self-defence. The flight ban is generally seen as serving more a political than a military purpose. If it succeeds in stopping the use of Mi-8 Hip and Gazelle helicopters to support forward Serb positions it will hamper current Serb tactics. Nato aircraft could also be given authority to attack anti-aircraft facilities.

● Safe havens. Broadly modelled on the successful initiative in northern Iraq, this would again be more complex in the Bosnian context, and would need substantial forces. The risk is it could be seen as creating Moslem ghettoes and abetting Serb war aims.

● A full-scale peacekeeping force. Nato has provisional plans for putting together a force of perhaps 65,000-75,000, with air support, which could be sent once a genuine ceasefire was established. Going beyond traditional lightly-armed UN peacekeeping, it would be prepared to tackle flare-ups, but not a total ceasefire breakdown.

Nato commanders believe Russian participation alongside the main US, French and British contingents could be crucial to the success of such an operation, both for the appearance of even-handedness and as means of exercising a moderating influence on Serbs.

Tasks would include ensuring the withdrawal, demilitarisation and disarming of warring militias and the establishment of an effective police. But the record of UN forces trying to do just this in Serb-controlled parts of Croatia does not augur well. It is also a role in which the US, which would be relied on to provide up to 25,000 of the troops, has relatively little experience.

Mladic: seen as war criminal or "soldier's soldier"

Mladic scorns western threats

By Laura Silber in Belgrade

GENERAL Ratko Mladic, the commander of Bosnian Serb forces, is untroubled by threats from the international community to punish Serbs for the war in Bosnia-Hercegovina.

Instead, he simply insists Serbs will never cave in to western demands. "They can negotiate everything with us but will never achieve anything through pressure," he said last week.

The stocky 51-year-old is a mass of contradictions. He had a reputation for brutality even before the war erupted in former Yugoslavia, and the US last year named him as a potential war criminal. But he has been described by some UN officials as a "soldier's soldier", while others view him as an intelligent officer and a skilled strategist.

Gen Mladic was born in Kalinovik, southern Bosnia, in the second world war. The death of his father, fighting with Tito's Communist partisans, appears to have instilled in his son a hatred for Germany.

When the war in Croatia erupted in 1991, Gen Mladic was transferred to Knin, the mountain stronghold of Croatia's rebel Serbs, where he was adored by his soldiers and the local population. A career officer in the Yugoslav People's Army, he was picked by Serbian President Slobodan Milosevic over the objections of senior officers. "He was intentionally installed by Milosevic to supervise the war in Bosnia," one diplomat says.

The Yugoslav army left most of its equipment and some 80,000 ethnic Serbs from Bosnia to form the Bosnian Serb army, under his command. It, however, was beset by a drain of manpower over the past year, one of the biggest military obstacles to achieving Serbian goals, according to Mr Aleksandar Vasovic, a Belgrade military analyst.

Last week's attack on Srebrenica, the eastern enclave, was described by the UN commander as an "atrocity". The attack came in spite of a promise by Gen Mladic that Serb forces around Srebrenica would not respond to "Moslem provocations".

He has called the onslaught "protection of Serbian villages under attack by Moslem soldiers". He has denied that Moslem villagers are starving. "They have plenty of food and what they lacked was delivered by the US air drops," he said. But last month he gave the go-ahead to evacuate women and children from Srebrenica.

Local Moslem authorities initially tried to stop the evacuation on the grounds that it was helping Serbs in their drive to expel all Moslems from eastern Bosnia. But Gen Mladic told Mr Laurens Jolles, a senior official of the UN High Commissioner for Refugees: "You should have come with 300 trucks, I am happy if they can all get out."

He allowed a single Moslem man pleading, "Sir, sir" to pass with the convoy of women and children. He said: "I am not sir, I am General Mladic." He turned to Mr Jolles and said. "You see I've given this man back his life."

Says a senior UN official: "He is constantly contradicting himself. He can be extremely charming and extremely brutal."

When Gen Mladic is in an area, convoys pass through checkpoints without a hitch. UN officials and diplomats believe he is in control in spite of speculation to the contrary.

"The command and control structure in the Bosnian Serb forces is reasonably good," said the diplomat. "Although in the chaos of Bosnia, it would be a miracle if Mladic could make everything run like clockwork."

Delors welcome for Sweden

By Hugh Carnegy in Stockholm

MR Jacques Delors, the EC Commission president, said yesterday he was confident that Swedish entry to the European community would take place on schedule at the start of 1995.

But Mr Carl Bildt, the prime minister, said a decision would not be taken until "the latter part of this year" on when to hold a vital referendum on membership. With public opinion in Sweden running against membership and negotiations on entry facing difficult issues such as Stockholm's high agricultural subsidies, Mr Delors made a strong defence of the community in a speech to the Swedish parliament.

He played down local concerns that EC rules would slash subsidies to northern rural communities, saying Sweden's philosophy of helping poorer regions was exactly the same as the community's.

"We can assist remote regions in particular in a way no individual nation state can do," he said, adding that negotiations – begun in January along with Finland and Austria – were "progressing well".

At a press conference with Mr Bildt, Mr Delors, who will visit northern areas today, said: "I remain confident that it is possible to maintain the schedule and have practical entry to the Community at the beginning of 1995."

However, Mr Bildt struck a more cautious note. He said Sweden's intention was to join by "roughly" January 1, 1995. But he would not say when a referendum would be held and added that no decision on the timing of a vote would be taken until late this year when the outcome of negotiations was clear.

If the original timetable for holding a referendum well in advance of the September 1994 general election slips, entry to the community could be delayed because of constitutional requirements that membership be ratified by two successive parliaments.

● Mr Paavo Vayrynen, Finnish foreign minister, resigned yesterday to prepare his campaign as the Centre party's candidate for the presential election next January.

Armenians escape blame in Caucasus

A UN report on the conflict in the Caucasus falls short of alleging Armenian government involvement in the latest fighting in Azerbaijan. Western diplomats say it is unlikely to lead to a binding Security Council resolution imposing sanctions on Armenia, reports John Murray Brown in Ankara

The UN findings will come as a disappointment to Turkey, which has lobbied for UN action to stop the fighting as Azerbaijan claimed Armenian forces had seized 10 per cent of its territory.

The Armenian government has denied that its forces are involved.

IG Metall leaders to set strike date

By Judy Dempsey in Berlin

LEADERS of IG Metall, Germany's powerful engineering union, are to meet on Monday to decide the timing of an all-out strike in eastern Germany in support of pay increases.

Once the decision is made, the union will ballot its members in enterprises in the five eastern German states. All-out strikes will then take place if the union gets the support of 75 per cent of its members in any one company.

The steel employers' association Arbeitgeberverband Stahl said yesterday that no talks were planned with IG Metall before next Monday. A spokesman said he saw no room for compromise at the moment. "I think the union will strike for a few days, and having shown it can strike, it might return to the negotiating table."

The employers are recommending pay rises of 9 per cent this year, instead of the planned 26 per cent in the metal and electrical sectors, and 21 per cent in the steel sector in eastern Germany.

The planned pay rises were agreed in March 1991 as part of a move to raise pay in eastern Germany to west German levels, but employers withdrew them on the grounds that the economy has worsened.

East Europe looks askance at bank

But the Attali row is not top of the region's agenda, writes Judy Dempsey

THE amount of money disbursed by the EBRD compared with amounts it has spent on its staff and officials is just one of many financial issues preoccupying east European officials. But it is hardly top of their agenda.

"We are in the middle of debating the budget," one Bulgarian official said. "We are in the middle of what could be described as a kind of trade war," said a Hungarian official. He was referring to a one-month ban imposed by the European Community on some meat imports, provoking retaliatory action from east European countries. A Czech official said: "We are trying to get much closer to the Community. The EBRD is not what you call top of our agenda."

Despite these other concerns, several east European officials have reservations and anecdotes about the organisation of the EBRD.

"I'm not that surprised to read about the way the bank spends its money," one Bulgarian official said. "Look, I was told that when the bank set up its office in Sofia, it bought everything from abroad. It didn't even buy the nails from Bulgaria. If the bank wants to do business with us, why not at least make some sort of gesture?"

Another Bulgarian official remarked: "The nails came from Britain." He went on: "The other complaint we have about the bank is that it is too slow in investing in the private sector. The bank, until recently, has supported big projects. But we are not looking for big loans. We want to build up small-scale industry. When we told the bank this, it said the people to implement these projects did not exist in Bulgaria. That's bullshit."

But he and other east European officials believe the bank has enough vision under Mr Jacques Attali to push through a plan drawn up by Mr Ronald Freeman, head of the bank's merchant banking division. "Mr Freeman's argument is that if the west is going to provide aid to Russia, why doesn't the west pay the countries of eastern Europe to supply the food, commodities and machinery," said an east European diplomat.

A senior Hungarian official said the bank had "done some good deals here. Not all are first class, but we are quite satified." Yet the official, in common with other officials from central Europe, admitted the bank was slow in disbursing money. "Since April 1991 until the end of last year, the bank has committed Ecu250m (£198m) for investment in 11 Hungarian enterprises. But only Ecu20m has been disbursed. The bank could be a lot faster. But we appreciate its efforts," another Hungarian official added.

"I suppose if you are going to criticise the bank, you should not raise the question of its survival. Instead, the issue of accountability should be raised – you know, making it more open. Looking at how decisions are made. That sort of thing," she added. Similar views about slow disbursement and decisions were echoed by Czech and Polish officials. A Czech official wanted the bank to take more risks, despite the limitations of its mandate. A Polish official said: "Maybe the bank could be a bit more open."

But Mr Attali is open when it comes to getting invitations, says a diplomat. "Whenever there is a state visit or a prominent official coming to London, Mr Attali insists on getting invited to dinner or receptions. . . He is very pushy and often very condescending to the east Europeans. But he has put eastern Europe high on the agenda."

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Heading off into uncertainty

As the corruption scandal deepens, Italians vote on Sunday to consider the first steps to fundamental political reform. But the shape of this is unclear

AS Italians prepare to vote on Sunday in their country's latest referendums, what was designed by its sponsors as a protest against the political establishment has turned into a much more confused affair.

Of the eight separate referendums, two in particular should have been barometers of the political mood in a country rocked by almost daily revelations of political corruption and, more recently, allegations of collusion between leading politicians and organised crime.

But since the proposal to reform the system for electing members of the Senate, the upper house of parliament, was first mooted by Mr Mario Segni, the breakaway Christian Democrat who has led the referendum movement, most of the main political parties have jumped on the reform bandwagon.

Similarly, every political group in parliament has endorsed the referendum calling for the abolition of state funding for parties. After the exposure of massive kickbacks to politicians on a stream of public-sector contracts in recent years, opposing the move would be little more than political suicide. The alternative to the current system has not yet been outlined but will have to offer greater transparency and be more rigidly enforceable.

By contrast, some smaller political parties are calling on their supporters to oppose the call for electoral reform. Their arguments are based on principle, but with a strong element of self-preservation.

Sunday's referendum only calls on voters to voice their opinion on replacing the electoral system in the Senate, the upper house of parliament. The present method, based on proportional representation, would make way for one whereby 238 of the 315 seats in the Senate would be elected by a majority vote. It is expected that backing for the change will oblige politicians to extend the reform to the Chamber of Deputies, the lower house.

Less certain is the type of majority voting system politicians will prefer when it comes to approving a replacement. At present, a vigorous, and highly complex debate is raging between supporters of a British-style first-past-the-post system and a French-style second round run-off.

According to the opponents of change, shifting to an electoral system based on a majority vote will strengthen the position of established parties, such as the Christian Democrats, which have traditionally blocked change in Italy and which are now being revealed as deeply involved in the corruption scandals.

Hence opponents of the referendum, such as La Rete, the small party headed by Mr Leoluca Orlando, the former mayor of Palermo, and a majority of the environmentalist Green lobby, say the call for electoral reform is counter-productive, as it will only enshrine the entrenched position of the bigger parties, while smaller groups militating for reform will be penalised in future polls. The opponents of referendum say new elections should be held now, rather than waiting for a new system to be introduced by a parliament they claim largely composed of parties shown to be corrupt.

A sizeable Yes vote in favour of reforming the electoral system and party financing is no longer in doubt after polling booths shut on Monday afternoon. What remains uncertain is how politicians react.

Before the parties backed the two main issues, it was widely expected that the "protest" registered by the referendum would trigger the formation of a new government. The latter, probably headed by an "institutional" figure such as the leader of the upper or lower house of parliament, would have remained in office just long enough to steer through electoral reform.

Once the changes were approved, it was assumed the caretaker government would call early elections, probably for September. That would allow voters to elect a parliament, based on the new rules, which would reflect popular opinion and be better placed to push through tough economic measures.

However, the prospect of an "institutional" post-referendum government has waned in recent weeks after growing signs of friction between the Christian Democrats, the biggest political party, and the Democratic Party of the Left (PDS), the former Communists.

Earlier this month, the two parties, which would form the main elements of an "institutional" post-referendum coalition, appeared unable to agree on sharing power. The likely price for support by the PDS – having the government led by Mr Giorgio Napolitano – appeared too high for the Christian Democrats. Mr Napolitano is the leader of the Chamber of Deputies and a PDS politician. Meanwhile, the PDS appeared unwilling to back a more broadly-based government unless strongly represented.

Given the impasse, it now looks more likely that Mr Giuliano Amato, the Socialist prime minister, will soldier on. It will be up to his tarnished coalition, which has seen the departure of five ministers on account of the corruption investigations, to see electoral reform through parliament and then prompt a formal government crisis which would trigger an early poll.

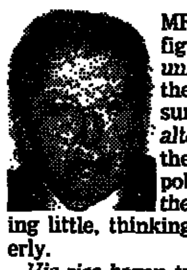
The Amato government could be "refreshed" after the referendums by a reshuffle, albeit one short of bringing in other parties to broaden its support. The present coalition is based on a flimsy 16-seat majority.

Party leaders may also informally reconfirm their support for Mr Amato, who has regained some stature after stumbling earlier this year after backing an amnesty for politicians accused of taking bribes on behalf of their parties.

Haig Simonian

Haig Simonian on the leaders of the Yes and No campaigns

Segni: the quiet Sardinian on a collision course



MR Mario Segni, the "quiet Sardinian" who is the figurehead of the referendum movement, is an unlikely candidate for the limelight. Though he is the son of a former president of Italy, early exposure to the world of politics has done nothing to alter the character of a profoundly shy man. He is the champion of using referendums to promote political change, but Mr Segni conforms closely to the popular image of the reticent Sardinian: saying little, thinking hard, and taking years to get to know properly.

His rise began two years ago, when he organised a referendum on abolishing the multiple preference ballot system in some elections, which was widely believed to be subject to abuse. Popular support for the initiative, in spite of the indifference or hostility of many established politicians, created a bandwagon effect in which Mr Segni helped to convince Italians they could change an ossified political system. The referendum movement he created has attracted reform-minded politicians calling for more honest and transparent government.

But Mr Segni's belief in the need for radical reform in Italian politics, and his growing lack of faith in the willingness of the main governing parties to promote it, has taken him on an accelerating collision course with much of the political establishment.

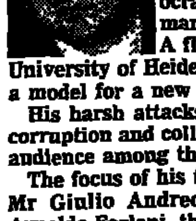
Matters reached a head last month when Mr Segni announced he was leaving the Christian Democrat party, which he has represented as a Sardinia MP for 17 years.

His move reflected frustration with the party's apparent inability to appreciate the new mood sweeping Italy and get to grips with reform. Having at first tried to promote change from within Italy's biggest political grouping, after months of friction with the party nomenklatura, he broke free.

The move could trigger a deep split in the Catholic vote and further weaken a party which has traditionally represented a broad spread of views. By leaving just as investigations into prominent politicians have switched from allegations of graft and financial irregularities to links with organised crime, Mr Segni dealt a crushing blow to the image of the Christian Democrats at a time when they are struggling to show a new, reform-minded face.

Still only 53, Mr Segni has often been tipped as a man who could lead a new, cross-party government after the referendums, or, more likely, the elections that could follow this year. How much support he could gain, given his ructions with the rump of his party, remains unclear. Though he is widely seen as one of Italy's men of the future, his immediate prospects are likely to be coloured by his strained relations with those of the past.

Orlando: more respect abroad than at home



MR Leoluca Orlando, the heavily-built ex-mayor of Palermo and founder of La Rete (The Network), is, like Mr Segni, an unlikely figure on the Italian political scene. And at first glance he is an unlikely leader of those arguing against electoral reform. A former prominent Christian Democrat who split with his party in 1990, he commands a much better press abroad than at home. A fluent German speaker, educated partly at the University of Heidelberg, Mr Orlando, 45, is for many foreigners a model for a new breed of Italian politicians.

His harsh attacks on leading politicians, whom he accuses of corruption and collusion with organised crime, have won him an audience among those who see the Mafia around every corner.

The focus of his tirades has been on his former party, notably Mr Giulio Andreotti, seven times prime minister, and Mr Arnaldo Forlani, the previous leader of the Christian Democrats. This week's allegations of links between Mr Andreotti and the Mafia have given Mr Orlando's claims added vigour.

A self-confessed rebel since his youth, Mr Orlando, the son of a university lecturer, has been accused of using the battle against criminal organisations as a form of self-advancement. With his escort of bodyguards, frequently-changing programme to foil potential assassins, and an image of tireless energy, however, he tends to evoke mixed feelings among fellow Italians.

Mr Orlando has earned the respect of foreigners. But in spite of his image as a Mafia-fighter, many voters, especially in the north, feel uncomfortable about his lengthy political career in Sicily, the heartland of the Mafia.

Elected mayor of Palermo in 1985, he scored immense personal successes in a stream of subsequent polls. At administrative elections in 1990, he gained over 71,000 preference votes; in regional elections in 1991, he gained more votes than any other politician in Sicilian history.

For his supporters, Mr Orlando is a tough and courageous leader, not afraid of speaking out, even at risk to his life. The party he founded, officially called the Movement for Democracy, started advocating political reform and clean government well before the revelations of corruption started to shake Italy's political fabric last year.

But critics portray him as a demagogue. They accuse him of being self-centred, making controversial statements without facts to back them up, and secretly hankering for a more presidential type of government in Italy – perhaps eventually under his leadership.

Suggestions of opportunism are lent weight by Mr Segni's claim that Mr Orlando originally supported the call for electoral reform, but had second thoughts. But then, for a small, if growing, party such as La Rete, moving to any form of voting system which would erode proportional representation in favour of reinforcing the bigger parties is bound to lead to second thoughts.

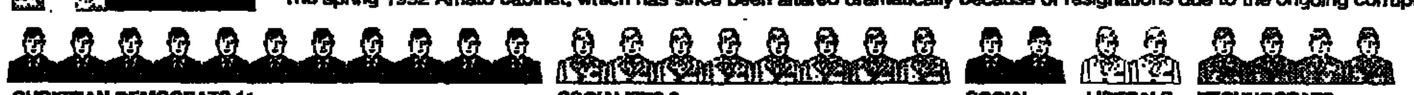
THE VOTE ON ELECTORAL REFORM

What the reformers want to scrap . . .

ITALY

A several-faceted, shifting coalition

The spring 1992 Amato cabinet, which has since been altered dramatically because of resignations due to the ongoing corruption scandal

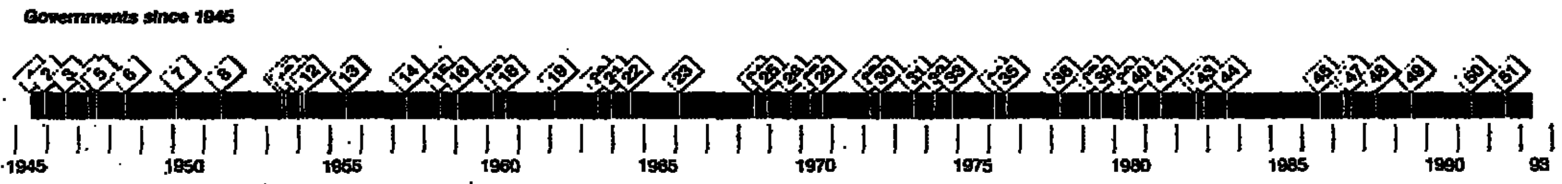


CHRISTIAN DEMOCRATS 11 — SOCIALISTS 8 — SOCIAL DEMOCRATS — LIBERALS — TECHNOCRATS

Changing partners

- Parliamentary elections must be held every five years. However, in a country now on its 51st government since the Second World War, legislatures have seldom lasted their full course. The elections of April 1992 marked one of the very few occasions that a parliament had served its full term.
- Early elections can be triggered through a formal government "crisis," which occurs when a government no longer commands the support of parliament. The crisis can lead to the creation of a new government, without elections, or, failing that, new polls after the president of the republic (the head of state) dissolves parliament.
- There is no fixed duration for the election campaign.
- Given that the electoral system is based on a very pure form of proportional representation, elections tend to return a large number of parties to parliament. Sixteen parties are represented in the current Chamber of Deputies.
- The president nominates a prime minister, who then seeks to put together a government. Given the consensual nature of Italian politics and the ubiquity of coalitions, the process of naming a prime minister and assembling a coalition is usually very lengthy, involving contacts with different party leaders. A new government has to be approved by parliament through a vote of confidence.

Governments since 1945



. . . and the models they are looking at

FRANCE

A coalition of like-minded parties

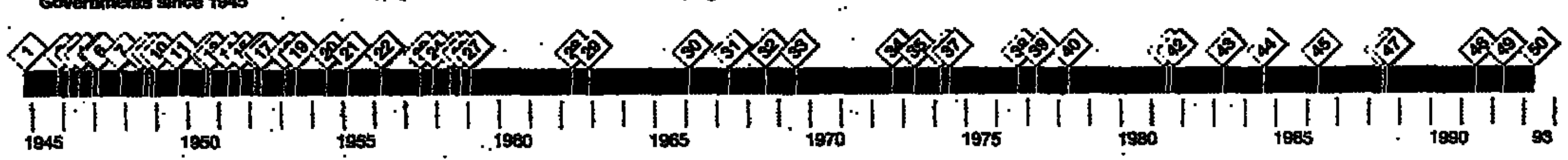
The current cabinet formed after last month's conservative landslide in National Assembly elections

UDF (centre-right) 16 — RPR (Gaullists) 13

Living with the president

- Parliamentary elections must be called every five years. The president is elected separately every seven years. Early parliamentary elections can be called by the president.
- There are two rounds of voting in a parliamentary election. The official campaign lasts for three weeks before the first vote, during which time the parties broadcast their political messages. There are strict controls over political advertising for six months before the vote, and opinion polls are banned in the campaign's final week.
- In the first round, candidates winning 50 per cent or more of the vote in their constituencies win outright. All other candidates winning more than 12.5 per cent go on to the second round a week later. Then, the candidate winning the most votes is elected. There is no fixed duration for the election campaign.
- The president chooses the prime minister, normally from the party which has won the most seats, although the constitution does not require this. The prime minister proposes the names of the cabinet for approval by the president.
- Every French government is influenced by its relationship with the president, whether or not the president's party is represented in the government. The constitution is vague on the division of power, but presidents tend to claim authority over foreign affairs and defence policy.

Governments since 1945



UK

A single-party administration

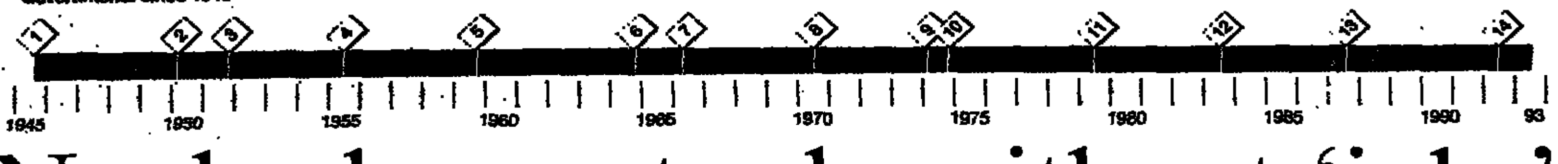
The cabinet formed after the April 1992 general election, except for the replacement of one minister.

CONSERVATIVES 22

First past the post

- Elections to the House of Commons must be held within five years of a government's coming to power, but governments can call early elections and often do. Or they can be forced to the polls by losing a parliamentary vote of confidence on an important issue, although it is possible for the Queen (the head of state) to ask someone in parliament to form a government without an election provided the new administration can command a parliamentary majority.
- The minimum period between an election being called and polling day is three weeks, although convention usually dictates a period of about four weeks.
- There is a single round of voting. The candidate winning the most votes in a constituency is elected (known as "the first past the post" system), even though the candidate may have received considerably less than 50 per cent of the vote.
- The party winning the most seats in the House of Commons generally forms the government, with the party's leader as prime minister. The prime minister chooses the other ministers. Two seats in the cabinet go to the Leader of the Lords, who is a member of the governing party, and the Lord Chancellor, who is the chief law officer in the country.
- If the party with the most seats does not command an overall majority, which rarely happens, it will seek to form a coalition government or effect an electoral pact with a smaller party or parties to command an overall majority.

Governments since 1945



Naples learns to do without 'jobs'

Robert Graham describes how Naples shows the strain

A Naples businessman recounts angrily how he was obliged to employ someone "recommended" by one of the city's political bosses. Getting a call from the politician after three weeks, he expected to be thanked for taking on a person he didn't need.

"I told you to give him a job: not make him work!" the politician complained.

In this endearing metropolis, the most chaotic and crowded in Italy, jobs and work are not synonymous. The adage goes: "Jobs you have; work you do."

Yet the system which has permitted people to have "jobs" without working is now under siege in a way unimaginable even a month ago.

All the top Christian Democrat, Socialist and Liberal politicians who have run the city for the past decade face charges which begin with corruption and extend to maintaining links with the Camorra, the local Mafia.

The once untouchable big names – Gava, Pomicino, Scotti, de Lorenzo, Di Donato – have had their reputations destroyed. One of their own political class, the Christian Democrat deputy, Mr Alfredo Vito, decided to talk; and explosive evidence came from Mr Pasquale Galasso, a key figure in the Camorra. As the financial brains behind the L1,500bn (£630m) empire of Alfiero Carmine, the most powerful Camorra boss. Mr Galasso knows intimately how things worked in Naples.

He has talked of vote-buying and of the "business committee" formed by the politicians, businessmen and Camorra to carve up the big contracts. The revelations are breaking a year behind the corruption scandals in the north; but the pace has snowballed much faster in Naples as people lose their fear of retribution and confess to magistrates who in turn are dusting off files. The confessions are laying bare what has long been publicly assumed: the largest economy in southern Italy has thrived thanks to abusive use of state funds and official tolerance of organised crime.

An array of criminal activity has been tolerated, ranging from extortion, gaming, lotteries, recycling stolen goods and drugs to contraband cigarettes, arms dealing, importing illegal immigrants and an extensive counterfeit trade. This illicit activity expanded in the 1980s on the back of a booming drugs trade.

The other economic prop has been the politician's exploitation of assistenzialismo – the helping hand of the state. A large public sector pay-roll in Naples combined with a steady stream of financial transfers from Rome and a big programme of public works have been fertile ground for patronage.

The Naples municipality has more than 20,000 employees, excess labour has been stacked into the local health authorities, fictitious jobs found in the port.

The public works programme has been sustained by inflated and fake reconstruction contracts after the 1980 Irpinia earthquake and the 1990 World Cup football preparations or by spinning out projects such as new hospitals or the metro (after 17 years work only one tranche is complete).

Public-sector spending, coupled with criminal activity in its various forms, is reckoned to generate two-thirds of the income in the Naples area. But now the flow of public funds is cut because of budgetary constraints in Rome; the big contracts have ended and the large industrial groups are shedding labour at a time when unemployment is touching 25 per cent, among the highest rates Italy.

The drama of disinvestment is symbolised by the recent plight of SME, the state-run agribusiness group due to be privatised.

SME occupies the sole fully-used building in an ambitious downtown commercial property development of a dozen glass skyscrapers. On January 25, SME's offices were taken over by the workforce in an attempt to block privatisation or at least prevent this from being an an excuse to move the headquarters from Naples and reduce jobs.

The main computer was switched off causing delays in privatisation. Even so, the authorities did not dare to remove the protesters by force.

This week after lengthy secret negotiations between management and employees, the workers occupying the building agreed to leave in return for some concessions on employment.

The sense of anger over rising unemployment concerns the authorities. "Naples is the Italian city most at risk from an explosion of social protest," observes a senior policeman.

Indeed, one reason why the illicit economy has been tolerated and justified is because it has provided a safety valve.

However, most Neapolitans regard the cleansing process as temporary. No new party like the Lombard League in the north is ready to emerge, either on the right or left. The Naples council, renewed this month after half the members were compromised by corruption scandals (the only place for a quorum was in jail), is based on the same Christian Democrat-Socialist axis. It merely contains the names of lesser figures who have ridden on the coat-tails of the former bosses.

From the banks to drugs, Yes or No

By Haig Simonian in Milan

WHILE electoral reform and party financing are the main issues on which Italians will vote on Sunday, six other questions require their attention.

Voters will be helped to distinguish between them as each question will be on a different coloured voting slip. The six "other" issues in the rainbow referendum comprise a mixed bag touching on constitutional matters such as the balance of power between state and regional government and specialised issues such as reform of the drugs laws.

● **The balance of power:** Three referendums concern curtailing the role of central government in favour of devolving power to the regions. They involve abolishing the ministries of agriculture and of tourism and the performing arts, and removing the Treasury's right to appoint the heads of municipal and regional savings banks.

In each case, regional interests claim the tasks can be performed better if responsibility is handed down from Rome. Regional and local authorities already have some role regarding tourism and the performing arts. However, the most important decisions have to be taken in the capital.

Reducing the role of the central government is also the aim of the vote on bank chairmanships. Foreign bankers find it hard to believe that Italy's Treasury minister has to choose the chairmen of the country's savings banks.

See editorial comment

The shift would mark a step towards de-politicising the highly political savings bank system, say the referendum's supporters.

Similar arguments surround the vote on abolishing the Farm Ministry. However, here the case against centralisation is harder to sustain in view of the integration of European farming in the Common Agricultural Policy and the need for co-ordinated national positions in Brussels. This explains the strong opposition by some parties to the initiatives to abolish both ministries.

By contrast, the fourth referendum on the abolition of the Ministry of State Shareholdings has been made largely redundant following the decision by the Amato government to merge the portfolio with that of the industry minister.

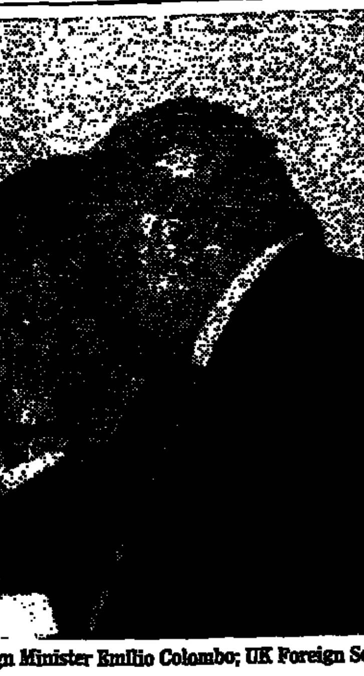
The Ministry of State Shareholdings was traditionally a source of power for the governing parties. However, with privatisation a central part of the Amato government's policy, its function has been eroded.

● ***Environment and drugs.*** The two other referendums are a mixed bag. The one seeking to strip local health authorities of responsibility for environmental controls is something of an attempt to transfer power back to the state from local level. The powers would probably end up with the Environment Ministry.

Instances of local health authorities being unable to discharge environmental responsibilities abound. In the marble quarries of Carrara in Tuscany, union representatives complain that the local health authority does not police quarrying or pollution controls.

Lastly, Italians must vote on abolishing a law which makes the possession of drugs a criminal offence. The motive is not to create a junkie free-for-all but to reinstate an earlier law, now in abeyance, which tried to distinguish between drug possession for personal use, which was not a crime, from holding larger quantities of narcotics, presumably for sale.




Russian Foreign Minister Andrei Kozyrev (left); US Secretary of State Warren Christopher with France's Foreign Minister Alain Juppe; US Treasury Secretary Lloyd Bentsen with Italian Foreign Minister Emilio Colombo; UK Foreign Secretary Douglas Hurd (right) with Mr Norman Lamont, the chancellor

Something old, something new for embattled Yeltsin

By Charles Leadbeater in Tokyo

WITH something old, something new, something borrowed and something blue the finance and foreign ministers from the Group of Seven industrialised nations yesterday pulled together a package of financial support for Russia with the impressive price tag of $43bn.

The package to bolster Russian economic reforms has three main components. About $14bn (£9.20bn) has been earmarked for macro-economic stabilisation, particularly to help bring inflation under control. A similar amount will be spent on structural reform, mainly trade assistance, aid to develop the energy sector and small and medium-sized businesses. About $15bn will be debt rescheduling.

The package thrashed out during two days of talks at a Tokyo hotel dwarfs the much derided $24bn plan agreed last year. It is on top of bilateral commitments of more than $4bn announced during the meeting by the US, Japan and the UK.

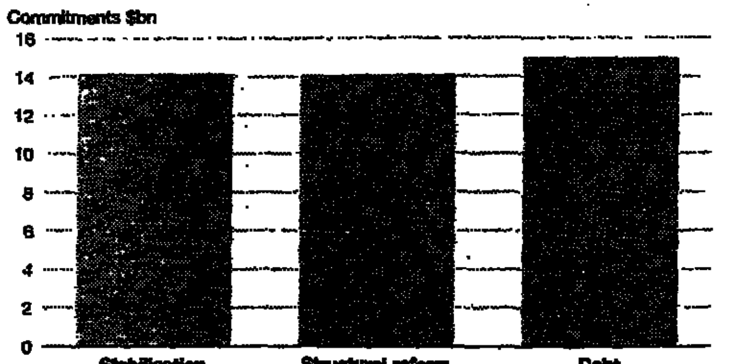
According to the plan's authors it is designed to deliver practical and visible help to hardpressed Russian consumers and unemployed workers who are bearing the brunt of the dislocations of reform.

With President Boris Yeltsin preparing for a critical referendum on his political reform plans on April 25, the G7 leaders yesterday claimed to have met the historic challenge they set themselves, to throw their weight and money decisively behind the embattled Russian leader.

Yet, on closer inspection, the G7's achievements are less impressive than they seem. The new multilateral money committed in Tokyo was well short of $43bn. The immediate benefits for men and women in Russian streets will be even less.

Much of the package drawn up in Tokyo was already in the pipeline. The $15bn debt rescheduling had already been agreed by 19 creditor countries in Paris on April 2.

G7 support for Russia



Source: OMB

About $10bn is in the form of export credits, much of which G7 countries have already offered bilaterally. A further $10bn is in the form of a $4bn IMF standby loan and a $6bn rouble stabilisation fund. These loans were offered last year but not taken up. The G7 is simply reaffirming that the facilities are still available.

About $5bn is due to come from World Bank loans to promote structural reform in industry. Many of these loans have been under negotiation for months.

So the only new multilateral initiatives taken by the G7 in the past two days amount to $3.3bn. The main element is an innovative $3bn IMF loan dubbed a systemic transformation facility designed to help economies undergoing sweeping reform.

The remainder is a $300m European Bank for Reconstruction and Development fund to promote the development of small businesses, in part through planning a Russian bank for small and medium sized enterprises.

Indeed the boldest initiative, a US proposal for a $4bn fund to promote large scale privatisation, met with a cool response. The ministers only agreed to study the idea in the run up to the July G7 summit of heads of state.

The protagonists, including the Russian's Mr Boris Fyodorov, the deputy prime minister and Mr Andrei Kozyrev, the foreign minister, dismissed such calculations of their achievements as crude underestimates. They make four main claims for the Tokyo agreement.

- It marks a more credible western commitment to the process of reform. The special $3bn IMF facility - which is conditional on Russian pledges that it will tackle inflation and reduce its budget deficit - is designed to kick start macro-economic stabilisation.

That should make it easier for Russia to negotiate the $4bn stand-by arrangement with the IMF. The meeting set an October deadline for concluding those talks. As Mr Fyodorov remarked : "This puts us in a stronger bargaining position with the IMF."

If the stand-by arrangement is agreed Russia will be in a better position to take up the additional $6bn IMF rouble stabilisation fund.

- The G7 will make it easier for Russia to take up assistance from international financial institutions such as the World Bank.
- The west is adopting a more practical approach in an effort to make sure aid makes a tangible and visible difference to everday life in Russia. The main symbol of that is the small business fund. As Mr Fyodorov put it : "The whole process is better co-ordinated and more practical then before..."
- According to the Russians, the political value of the G7 being seen pulling together its support into a single package at such a critical time should not be underestimated.

In time, Mr Kozyrev's desire that ordinary citizens should see some of the fuits of foreign assistance in their daily lives may come true. In the meantime the main effect of the Tokyo talks on daily Russian life will be the headlines generated in this mornings newspapers.

Russians convinced they have made advances

By Robert Thomson in Tokyo

WHEN Mr Boris Fyodorov, Russian deputy premier, and Mr Andrei Kozyrev, foreign minister, took the stage at the end of the two-day Group of Seven meeting, they were convinced Russia had done well from the gathering.

Mr Kozyrev suggested that the get-together was evidence that "democratic forces on both sides won the cold war", although that assertion will be put to the test by the Russian referendum on April 25, a date which inspired the hurriedly arranged meeting.

That date was also on the mind of Mr Warren Christopher, US secretary of state, who explained that "we simply could not wait for our annual summit in July to act decisively on behalf of the reform government in Moscow." If the "forces of reform" were to be defeated, he said, "we would face increased instability" and the "necessity to continue to invest dollars in defence of and not in the urgent domestic needs of our people".

Mr Kozyrev said the aid programme would certainly help the "day-to-day lives" of the Russian people, and suggested the international support shown for Mr Yeltsin would "give him more authority and more strength".

Mr Fyodorov said the aid programme was now better linked to the economic reforms under way in Russia. He said the support promised for small business was "very important", as were the "clear mechanisms" for the implementation of the aid programme.

His reference to "clear mechanisms" reflects Russian disappointment that funds from past programmes have been slow to flow because of international agencies' strict conditions.

He also cautioned that some detail was yet to be determined: "There are many aspects which will require further study. There is much more detail to be decided."

Mr Fyodorov said it was understandable that a US proposal for a $4bn (£2.6bn) privatisation fund was not immediately supported by other G7 countries. The fund is designed to help big companies, and the US has pledged $500m and expects fellow G7 members to supply at least $1.5bn.

"The question of privatisation will be analysed. By the time of the G7 summit in July we will have a better idea of whether it will be supported." Mr Fyodorov said.

US officials also said they were not disheartened by the unenthusiastic response to the privatisation proposal, but made clear the US would be disappointed if its G7 partners failed to commit funds by the time of the summit.

Moscow given notice on Bosnia

By Robert Thomson

THE Group of Seven yesterday backed the Russian leadership of President Boris Yeltsin and his reforms but also put Russia on notice that its full support is expected in handling the conflict in Bosnia.

G7 foreign ministers attending the two-day meeting in Tokyo were agreed that much tougher sanctions should be imposed on Serbia through the United Nations unless there is a settlement in coming days.

The ministers made clear to Mr Andrei Kozyrev, Russian foreign minister, that Moscow, a traditional ally of the Serbs, must use its influence to end violence and should vote in favour of tougher sanctions if a vote is held at the UN.

A UN vote has been delayed until after Russia's April 25 plebiscite as Mr Yeltsin is under pressure from conservatives and could be embarrassed by a vote in favour of action against the Serbs. In recent weeks, Russian officials have said tougher sanctions would be "unhelpful".

Mr Warren Christopher, US secretary of state, said the vote was delayed out of deference to Russia and its apparent attempts to quell the violence, but Moscow's full co-operation would be expected in the UN after April 25.

He said Russian officials had indicated a settlement may be possible and insisted they must make genuine efforts to see it was reached. If there was no settlement, he said, the US would vote for sanctions and Russia should too.

Referendum battle starts to hot up

By John Lloyd and Dmitri Volkov in Moscow

PRESIDENT Boris Yeltsin of Russia changed gear sharply yesterday in his lackadaisical campaign to win backing for his presidency in a referendum on April 25.

He told a meeting of supporters he would not obey the rules for the referendum set by his rivals in the Russian parliament and he ordered a drastic cut in the privileges and duties of his rebellious vice president General Alexander Rutskoi.

At the same time, Mr Yeltstin is working on a decree which would give massive privileges to Russia's autonomous republics in exchange for their support in the campaign. The decree, when enacted, would convert the Russian federation into a confederation, with each of the 21 separate republics acceding to a new union treaty in a distinctly different way.

The rules set by the parliament lay down that any proposition must gain the approval of more than 50 per cent of the total electorate – an all but impossible margin. Mr Yeltsin, citing the referendum law which lays down that only a majority of those voting was required, said he would issue a decree on April 20 to bring the regulations governing the present referendum into line with the law.

The Russian president also said he had yesterday met Mr Valery Zorkin, chairman of the Constitutional Court to remind him that the Court was due to issue a judgment on the constitutionality of the referendum rules by April 20.

Mr Zorkin, whose pronouncements have become increasingly anti-presidential, forecast on Wednesday night that Mr Yeltsin's determination to press ahead with the introduction of a new constitution would bring civil war between rightist and leftist forces. This came in spite of the fact that Mr Zorkin was one of the experts who prepared the draft constitution Mr Yeltsin wishes to introduce.

The president's move against General Rutskoi means that the latter's armour-plated Mercedes has been replaced with a Volga, the middle managers' workhorse; his bodyguards cut to two; and he is relieved of responsibility for agricultural reforms – an area on which he has, like so many of his predecessors, made little mark.

General Rutskoi, whose support was crucial to Mr Yeltsin on his accession to power two years ago and who was chosen as vice-president because of his military (air force) background and influence among reformist communists, is now close to being the main contender against Mr Yeltsin for the presidency.

He is a powerful and emotional speaker, has an impressive record of physical courage in action and is the head of a relatively large party, the Free Russia party – part of the Civic Union bloc.

Mr Yeltsin, still supported by the dwindling number of radical democrats in the political class, now appears to have plumped for the heads of republics within Russia as the biggest source of his support.

These leaders issued a call on Wednesday to the voters to turn out on April 25 – though they refused a request from Mr Yeltsin to explicitly endorse his presidency – and they have agreed that the referendum may go ahead in all of their territories.

Japanese protest outside the Russian embassy in Tokyo against Russian right-wingers

Tight rules set out for foreign banks

By John Lloyd in Moscow

TIGHT new rules on foreign banks intending to operate in Russia have been published by the central bank, in a move seen as part of a policy to protect fledgling Russian industries and financial institutions from foreign competition.

Mr Dmitri Tulin, a central bank deputy chairman, said in an interview with the Interfax agency that foreign banks could open only one branch office besides their Russian head office, while the total capital of all foreign banks operating in Russia could not exceed 12 per cent of the aggregate capital of the Russian commercial banks this year.

Already, according to the central bank, aggregate capital of foreign banks represents 6 per cent of the Russian total. This is even though only two western banks – Z-Länderbank of Austria and Crédit Lyonnais of France – have received banking licences.

Mr Geert D'Haese, chief representative of the Inter Alpha Group of banks – which include Spain's Banco Bilbao Vizcaya, Belgium's Kredietbank and the UK's Royal Bank of Scotland – said the rules were a compromise with conservatives in the Russian parliament, who tried to ban foreign bank operations entirely.

Doubts on aid disbursement

By John Lloyd

THE AID package announced by the Group of Seven ministers yesterday gave a strong message of western support to Russia, but it may not have removed the obstacles to aid disbursement.

Mr David Roche, head of global strategy at Morgan Stanley International, said that only between $3bn and $6bn would be available relatively quickly.

"This is far short of the mega sums in the plan's headlines," he said.

"Just as huperinflation is part of the Russian scene, so hyperbole is a part of the western aid package to save Yeltsin."

This assessment was borne out by economic commentators in Moscow.

One said that the package risked duplicating the mistake made last year, when the headline sum of $24bn remained partly unspent because of IMF conditionality, and the remainder – about half – was given in the form of tied credits, further increasing the overall Russian debt.

As these funds went in, an estimated $15bn-$25bn was illegally squirrelled away by Russian companies and individuals in western bank accounts.

Further, the success of the package is, as ever, dependent on the politics within Russia.

Only if Mr Boris Yeltsin, the Russian president, wins the referendum on April 25 and, more importantly, acts on that victory by giving the go-ahead to his government to restrain credit and create the conditions for a stable currency, can the "black hole" of Russian reform be closed and the reforms be implemented.

SUMMIT COMMUNIQUE

West foresees more close co-operation

Introduction

At the request of heads of state and government of the seven major industrialised countries and of the president of the EC Commission, and in the process of preparation of the Tokyo summit, foreign and finance ministers of G7 countries and representatives of the European Community met in Tokyo April 14, 1993 to discuss support for reform in the Russian Federation. Prime Minister Kiichi Miyazawa of Japan opened the meeting, which was chaired jointly by Mr Kabun Muto, minister for foreign affairs and Mr Yoshiro Hayashi, minister of finance.

On April 15 1993, the ministers met with Mr Boris Fyodorov, deputy prime minister and finance minister of Russia, and Mr Andrei Kozyrev, foreign minister, for an extended discussion of the economic and political situation in Russia and to review how the international community could best support Russia's reform programme. Our Russian colleagues reaffirmed the determination of President Yeltsin and his government to move forward with reform. They welcomed our determination to support the reform process.

2 Support for Russia's Reform

Russia has embarked on a far reaching transformation process with the aim of building a democratic society, establishing a market economy and improving the welfare of its people under the leadership of President Yeltsin.

Russia has made courageous and extraordinary progress in the last two years. Russian reform and progress towards democratisation are essential to world peace. We want to see a democratic, stable and economically strong Russia, firmly integrated into the community of democratic states and into the world economy. We are confident that the G7 and Russia will continue to co-operate constructively and responsibly in international affairs.

The Russian people themselves must bear primary responsibility for economic and political reform. The development of a market economy in Russia will be a long, arduous undertaking which will require difficult adjustments by the Russian people. We assure them of our support in coping with the inevitable hardships of the transition period. We remain resolved to work with Russia to develop lasting co-operation based on the principles of partnership and help for self-help laid out at the Munich Summit. Our assistance will be pragmatic, visible, tangible and effective, tailored to Russian absorptive capacity and phased with the progress of reform.

We welcome the recognition by the Russian government that both monetary stabilisation and further structural reform, including privatisation, are critical. A positive environment for private initiatives and investment, including a proper legal and administrative framework, is crucial for the transformation of the economy. Better access to export markets is indispensable to structural reform in Russia.

3 Bilateral and Multilateral Actions

We have agreed on a series of multilateral actions closely linked with our bilateral efforts as described in the Annex. Close co-ordination among our countries and international organisations as well as close contacts with the Russian authorities will be necessary.

Russia is currently experiencing a particularly difficult situation. We are also mindful of the challenging tasks facing other economies in transition. The success of the Russian reform programme is in the interest of all countries...

4. Next Steps

Our meeting in Tokyo has helped lay the foundation for the meeting to be held with President Yeltsin in July in Tokyo. The heads of state and government of the G7 democracies and the president of the EC Commission will continue to pay close attention to developments in Russia. They look forward to a fruitful review in July.

Kenyans suspend operations of leading local bank

By Our Foreign Staff and Reuter

KENYA HAS suspended operations of a leading local bank hit by severe cash problems and arrested several of its officials, the state-run Kenya News Agency said yesterday.

The agency quoted Mr Musalia Mudavadi, the finance minister, as saying the central bank had taken over the affairs of the Trade Bank of Kenya pending further investigations.

In a statement last month the minister denied allegations that several banks had been allowed by the central bank to run up overdrafts because of their connections with the political establishment.

Mr Mudavadi acknowledged that a "few banks have run overdrafts with the Central Bank," but he stressed that they were not insolvent.

Yesterday Mr Mudavadi told the Kenyan parliament that "auditors appointed to the bank had reported liquidity constraints, poor asset quality, weak internal controls and violations of the banking act."

He said that a manager from the Central Bank had been appointed to run the trade bank, owned by a group of powerful local Asians "in order to protect depositors and creditors and restore public confidence," Kenya News Agency reported.

It said several trade bank officials had been arrested. The Asian managing director was being sought.

An opposition member of parliament told the house on Wednesday that the central bank was forced to loan the trade bank up to Sh1.6bn (£23m) to enable the bank to pay off its debts.

The bank was set up in 1984 with a paid-up capital of Sh230m. It listed cash reserves of up to Sh212m in February this year.

Indian business welcomes trade liberalisation move

By Stefan Wagstyl in New Delhi

INDIAN industrial organisations yesterday welcomed government moves to liberalise investment in the motor, white goods and leather industries.

The measures, which were announced late on Wednesday, are a significant extension of the economic reforms of Mr P V Narasimha Rao, the prime minister, who is trying to deregulate the economy and integrate it with the global trading network.

The changes will permit companies, including foreign groups, to enter the motor, white goods and leather industries without the need for government licences which, until recently, have been used until recently to limit competition and keep out foreign competitors.

The Confederation of Indian Industry said yesterday that the measures were a step in the right direction.

However they are unlikely to prompt an immediate rush into the newly-liberalised sectors since much of Indian industry has been suffering from weak demand for the past year.

Foreign automobile makers have held talks with Indian vehicle makers, but have yet to commit themselves to any large new investment projects until the outlook for the economy is clearer. They have also been held back by the global economic slow down.

In separate moves, the government approved state-sector investments totalling Rs35bn (£737m), including the expansion of import facilities for natural gas, the modernisation of the Digoil refinery in Assam, power station construction, and the building of a new passenger terminal at Bombay airport.

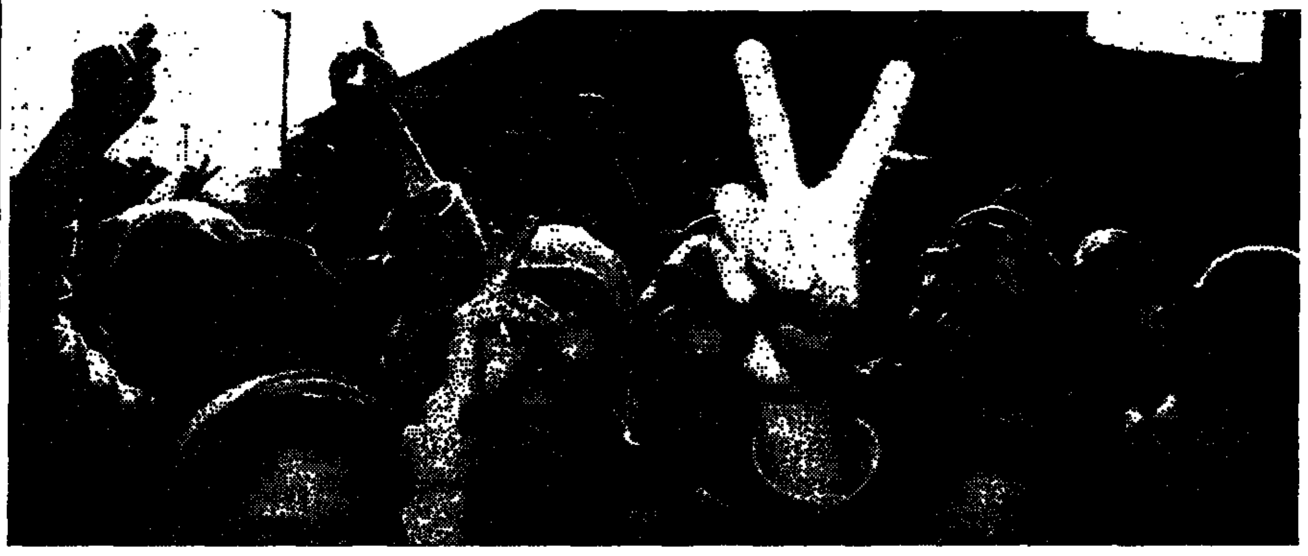
Ministers also approved the award of an oil and gas exploration contract for an onshore area in Gujarat, north western India, to a consortium of US, Australian and Indian companies.

● A parliamentary Committee probing the Rs40bn Bombay securities market scandal is considering recommending tough penalties for foreign banks involved in the affair.

According to the Economic Times, India's leading business daily, the committee's draft report recommends that the Reserve Bank of India, the central bank, should consider banning the offending banks from repatriating profits earned from irregular transactions. The committee's final report is due to be published next month.

The scandal erupted when fake and unrecorded transactions were discovered in the inter-bank securities market.

Investigators established that money had been siphoned out of the market in contravention of central bank rules for stock market investment.



KASHMIRI Moslems vent their anger against the killing of four Moslem during a demonstration in the capital Srinagar. Indian security forces later fired bullets and chased the crowd with armoured vehicles. Over 100 people have been killed in the past week in Kashmir, one of the bloodiest in the three-year campaign by Moslem militants to separate the state from India

Nigeria reverses credit ruling

By Paul Adams in Lagos

THE Central Bank of Nigeria has withdrawn its 90-day moratorium on payment of all letters of credit, a ruling introduced on March 1 which drew strong criticism from the business community and damaged Nigeria's credibility with foreign suppliers.

A circular issued by the central bank says that payment for transactions under confirmed and irrevocable letters of credit at sight is again permissible.

The change of policy is backdated to March 1 enabling suppliers to be credited without further delay.

The private sector in Nigeria has welcomed the decision, which is seen as an admission of error by the bank.

One banker said: "The 90-day rule showed a serious lack of understanding of commercial procedures on the part of leading central bankers."

The bank's justification for the 90-day ruling in March was to stop abuses of the exchange rate system.

Bankers believe that the real motive was to delay payment of scarce hard currency for as long as possible.

The effect was quite different, as importers in Nigeria bore the 90 days financing costs, passed on by their suppliers, resulting in higher import prices.

The only beneficiaries of the bank's previous ruling were the suppliers' banks, outside Nigeria, who were able to have use of the money for an extra 90 days.

Australian-led group signs Vietnam oil accord

A CONSORTIUM of companies led by Australia's BHP Petroleum signed contracts yesterday to exploit Vietnam's Dai Hung (Big Bear) offshore oil field, the biggest undeveloped field in Asia, Reuter reports from Hanoi.

The contract, calling for total investment of about $1.5bn (£966m) over more than 20 years, is one of the biggest business deals in communist Vietnam since it started building a market economy in the late 1980s.

BHP Petroleum is the operator for the field, about 250 km (155 miles) off the coast of southern Vietnam, with a 43.75 per cent stake.

Its partners are Malaysia's state-owned Petronas, with 20 per cent, VietsovPetro, a Vietnamese-Russian joint venture, with 15 per cent, and Total of France and Sumitomo of Japan with 10.625 per cent each.

Bringing the Big Bear field on stream in mid-1994 will boost Vietnam's oil exports, currently coming from the Bach Ho (White Tiger) field further north. VietsovPetro pumped about 5m tonnes of crude from Bach Ho last year.

Mr Ho Si Thoang, chairman of the state oil company PetroVietnam, said the field would start "a new period of booming oil and gas activities" on Vietnam's continental shelf.

Dai Hung has reserves of 800m barrels of light crude, making it a big field on the world scale.

NEWS IN BRIEF

Angola government and Unita in talks

Angolan government and Unita rebel delegates met alone behind closed doors yesterday at peace talks in Ivory Coast, Reuter reports from Adbijan.

United Nations mediators and official observers from the US, Russia and Portugal agreed to stay away from the conference room during the first private discussions between the warring parties.

The Abidjan talks, formally opened on Monday under UN auspices, are aimed at stopping fighting which erupted after Unita rejected its defeat in last September's elections.

Although all sides have reported a good atmosphere, progress was slow and a UN official said the Angolans were avoiding divisive matters that would "poison the situation."

● The Angolan government said it had sharply revalued the kwanza, the national currency.

The state news agency Angop reported that as of Wednesday the official exchange rate was adjusted to 4,000 kwanza to the dollar from the previous 7,000 exchange rate. The street market rate is above 10,000 kwanza to the dollar.

The adjustment had long been expected following a controversial and unsuccessful move by the previous finance minister, Mr Salomao Xirimbimbi, to align the official and parallel market rates which effectively devalued the kwanza.

He was sacked last month and replaced by Emanuel Carneiro.

Hekmatyar tries to break Afghan deadlock with new cabinet

Afghan prime minister-designate Gulbuddin Hekmatyar said yesterday he had drawn up a new cabinet list to try to break a deadlock before more fighting erupts, Reuter reports from Charasyab, Afghanistan.

His arch-rival President Burhanuddin Rabbani countered with proposals agreed after consultations among four other main guerrilla parties.

A five-week-old peace accord among the fractious guerrilla groups has become bogged down amid disagreement between Mr Hekmatyar and Mr Rabbani over allocation of ministries. Mr Hekmatyar appeared to rule out any discussion with Mr Rabbani, accusing the government of preparing for more fighting.

Under the March 7 Pakistani-brokered peace accord signed by the Mujahideen leaders in Islamabad, Mr Hekmatyar was to finalise the cabinet in consultation with the president in two weeks.

Mr Hekmatyar hinted that his main compromise was over Mr Rabbani's powerful defence minister, Mr Ahmad Shah Masood, who has held the job since the guerrillas took power from the former communist government last April. Mr Hekmatyar had vowed to sack him.

In the new cabinet list, Mr Masood is to be one of three deputy prime ministers and is to head the foreign ministry, which will be run by a council of all the nine main parties.

Torture 'still widespread in China'

Torture is still widespread and systematic in China despite the Beijing government's claims to have instituted reforms, Amnesty International said in a report published today, Reuter reports.

The London-based human rights group said the practice of torture had actually spread in the last 10 years to become endemic in many Chinese detention centres and prisoners now suffered much more severe abuses.

A Chinese government report to be submitted to the United Nations' Committee Against Torture on April 22 makes largely false claims that torture cases are scrupulously investigated and the torturers brought to justice, Amnesty said.

Soaring dollar hopes come down to earth

James Blitz, Economics Staff, examines why the currency has failed to live up to forex dealers' expectations

MANY FOREIGN exchange dealers predicted that this would be the year of the soaring dollar. But, nearly four months into 1993, investors in the US currency are still waiting for it to make its next big move upwards.

Last September, the dollar hit a historic low of 1.3860 against the D-Mark, the world's second most traded currency. In the next four months, it rose some 29 pfennigs against the German currency, boosted by the election of President Bill Clinton and a sharp upturn in the US economy.

But New Year predictions that the dollar would break through the DM1.70 level by April have been dashed. Yesterday, it was trading at around DM1.5970, some two pfennigs below its level at the start of January – and some people in the currency market are predicting that it will go even lower.

"The dollar is at an interesting turning point," says Mr Avinash Persaud, an economist at UBS in London. "At these levels, fund managers are comfortable holding dollars. But if the currency were to slip further from here, we could see a large scale shedding of their dollar positions."

The dollar has been capped because short-term interest rates in the US remain nearly 5 percentage points below those in Germany, providing a smaller return for investors in the US currency. This makes it expensive for investors to hold dollars for long.

Several factors have ensured that this differential has remained so wide.

● Growth in the US economy was more sluggish than expected in the first quarter of this year. Currency investors bought dollars in large quantities at the start of the year following US gross domestic product growth in the fourth quarter of 1992 at an annualised 4.7 per cent. The comparable figure for the first quarter of this year is expected to be down to 3 per cent. This slowdown in growth suggests that the Federal Reserve will refrain from raising interest rates in the near term.

● The Bundesbank's cuts in official interest rates have been more modest than expected. Germany's discount rate has been reduced by 75 basis points so far this year. But the central bank has cut rates in "salami-sized slices" rather than introducing the aggressive easing of policy that had been foreseen.

● The yen, the third most traded currency in the world, has risen to historic highs against the dollar in recent weeks amid speculation that Japanese leaders would promote a strong yen to reduce the country's huge trade surplus with the US. The new Japanese fiscal package of Y13,200bn announced this week has led to a slight strengthening of the dollar in recent days, however, in the belief that the package will help to reduce Japan's trade surplus.

● There is speculation that the Bundesbank is selling dollars on the foreign exchange market as a means of rebalancing its reserves. The Bundesbank acquired an estimated $20bn in foreign currencies during last autumn's crisis in the exchange rate mechanism. These funds are thought to be being sold back to the market, supporting the D-Mark.

Views differ sharply over whether the US currency will go up or down from here.

Mr Persaud of UBS believes the dollar has bottomed out at its current level and that it will be at around DM1.63 by the end of the month.

He believes US growth will look increasingly favourable compared to that of Germany. He also thinks that the Bundesbank has proved that it will cut rates for domestic reasons, and that this is a good augury for more policy easing.

However, Mr Jim O'Neill, head of research at Swiss Banking Corporation in London, believes there is some chance that the dollar could move as low as DM1.30. He points to "disturbingly weak" US money supply growth and poor consumer confidence figures as signs that the economic slowdown is set to continue.

He also believes that the current holding of $500bn of reserves by the world's central banks is far more than is justified by the economic performance of the US; and that a reaffirmation of French and German central banking ties in Europe could lead to greater cross-holdings of francs and D-Marks by the Bundesbank and the Bank of France.

"In these circumstances, there would be little point in major central banks continuing to have such large holdings of US dollars," he said.

US may sign Rio accord next week

By George Graham in Washington

THE US may announce its backing for the bio-diversity convention, which it refused to sign at last year's Earth Summit in Rio de Janeiro, as early as next week, according to US officials.

President Bill Clinton is expected to deliver a speech on environmental policy next Wednesday, and some officials believe he may be ready by then to announce the US's intention to sign the convention, which lays down obligations to list, monitor and protect endangered species.

But the US wants to add an interpretative statement to its signature, clarifying its view of ambiguities in the treaty on intellectual property and financing mechanisms, and is keen to have the European Community and other members of the Organisation for Economic Co-operation and Development sign on to this statement.

The treaty is open for signature until June 3.

White House environmental advisers last week gave a list of concerns to Mr Svend Auken of Denmark, the current president of the EC council of environment ministers, and are circulating a draft interpretative statement they hope other governments might sign.

Many developed countries share US concerns about the vagueness of the treaty language, and the EC had been planning to lodge its own statement. Nevertheless, some of the proposed US language will need reworking if it is to attract support.

At the heart of the US objections was the possibility that ambiguities in the treaty could weaken the intellectual property rights of biotechnology companies by forcing them to share the benefits of their research and patents with the countries in which they found genetic material.

The US also objected to what it saw as an open-ended commitment to fund bio-diversity protection in developing countries.

Argentina fixes new sale date

By John Barham in Buenos Aires

ARGENTINA is to begin privatising YPF, its national oil company, in June or July, instead of October as planned.

YPF's net worth is estimated at $8bn (£5.2bn) and is to be floated on local and international equity markets. The sale will be the country's biggest privatisation.

Mr Daniel Marx, Argentina's chief financial negotiator, said yesterday: "We feel the opportunity [of] markets being receptive generally to stocks, particularly oil and Latin American stocks. The stars have not been aligned like this for a long time."

He denied the new timing was due to domestic political factors or to worsening government cash-flow. He said the privatisation's detailed planning and marketing strategy would have to await appointment of advisers.

However, he said the government had already decided to sell as much of the company as quickly as possible. It holds 100 per cent of YPF stock and is legally required to retain a 20 per cent stake.

South Central awaits the verdict of LA trial

By Louise Kehoe in Los Angeles

Armed agents move into the federal building in Los Angeles where the trial is being held

JURORS yesterday resumed their deliberations for the sixth day in the trial of four police officers charged with beating black driver Mr Rodney King in an incident recorded on videotape. Fears that the illness of a juror on Wednesday might delay the trial proved unfounded as all 12 filed into court.

The officer's acquittal in April 1992 sparked riots in South Central, one of Los Angeles' most deprived districts, and exposed to television viewers around the world an area that few of the city's affluent residents had ever seen.

South Central is not marked on city maps provided by hotels and car rental companies. Nor is it an area that many would have cause to enter. Today, it remains a place that many fear to visit or even travel through, except on the raised freeways from which its poverty and deprivation are not visible.

The scene of some of the worst violence in last year's riots, South Central is again the focus of world-wide attention, however, as the verdict is awaited in the second trial of the four white policemen.

There are widespread fears that South Central might again erupt in violence, burning and looting if the men are acquitted. Police, the national guard and US marines at nearby Camp Pendleton are all preparing for the worst.

Yet on the streets of South Central there is an eerie calm. The area seems to have been almost deserted yesterday, with few people on the streets and only light traffic.

Everywhere the ugly hulks of last year's fires remain. Many burnt-out buildings have been torn down, the empty lots surrounded by fences scrawled with graffiti – the trademark of local gangs. Others stand like skeletons, just metal trusses pointing skyward and walls blackened by fire.

At intersections there are vacant lots where petrol stations once stood; some still have the remains of signs that used to display prices.

Most depressing are the blocks and blocks of tiny boarded-up, metal-barred shops and businesses, most of them closed since last year's riots. Of those that remain in business, most seem to have been fortified and closed in anticipation of a potential repeat of last year's mayhem.

The only doors that seem to be open are those of dozens of churches: some no more than shop fronts, others impressive structures.

Yet, on the side streets of South Central, life goes on behind locked and grilled doors in rows of small bungalows, giving way to four-storey apartment buildings in the Crenshaw district, known as one of the toughest parts of the city.

It was here that department stores and supermarkets were looted, that Mr Reginald Denny, a truck driver, was dragged from his cab and brutally beaten.

Further north, in Korea Town, which was the target of attacks by roving gangs a year ago, uniformed security guards stand on the pavement outside fortified electronics shops, and additional metal grids are being installed over the windows of other shops.

The heavy police presence, so widely publicised by city officials, is not visible in these parts of Los Angeles.

In two hours of touring, this reporter saw only four squad cars – moving in pairs – as well as a few "undercover" police, not very well disguised, in unmarked cars, apparently going about their business of searching for drug dealers.

While the 12 jurors in the Rodney King beating trial continue their deliberations in the federal court downtown, it is on the streets of South Central, Crenshaw, Korea Town and other poor neighbourhoods of Los Angeles that the verdict on civil rights and social injustice will ultimately be cast.

The efforts of community leaders – black, Asian and hispanic – may be successful in preventing an uprising of the devastating proportions seen a year ago.

More pragmatically, people who live in South Central say simply: "There is nothing left to burn."

European report pinpoints discrimination against foreigners

US trade barriers criticised

By Lionel Barber in Brussels

US rhetoric about free trade contrasts with its own significant barriers to trade and investment, according to a new study by the European Commission released yesterday.

The Commission's annual report on US trade barriers pinpoints protectionist trade legislation, discrimination against foreign investors, high tariffs and "Buy American" laws in the US. "The number of such impediments has not decreased since last year's report was published," the study concludes.

The 90-page Commission study comes as Sir Leon Brittan, EC commissioner for external economic relations, is preparing to visit Washington for talks early next week with the Clinton administration. The aim is to head off US sanctions in the dispute over US/EC procurement legislation and to make progress in the Gatt world trade talks.

A Commission spokesman stressed yesterday that criticism of US trade practices did not amount to proof that the new Democratic administration was more protectionist than its Republican predecessor. "We continue to give them the benefit of the doubt."

The chief barriers cited in the report are:

● US tariffs of 20-50 per cent on textiles, ceramics, glassware, vegetables and footwear.

● "Buy American" legislation at federal and state level which shuts out foreign suppliers, or sets down local content requirements of 50-65 per cent. Telecommunications equipment remains excluded from the Gatt procurement code.

● Unilateral US legislation such as the "Super 301" law which, though lapsed, may be revived by the US Congress. The clause provides wide discretion to retaliate against trading practices deemed unfair or burdensome to US commerce.

● New extra-territorial legislation such as the Cuban Democracy Act (1992) which restricts trade with Cuba to humanitarian and food aid operations. It also extends to US-owned or controlled foreign companies.

● The US failure to renew favourable tariffs on dozens of farm and industrial products valued at $1.27bn (£841m). Some of the duties currently applicable are as high as 38 per cent, the report says.

Mr Ove Jorgensen, the Commission's North America director, said yesterday most of the $200bn annual two-way trade was "largely trouble-free".

The report however raises concerns about the new US preoccupation with national economic security – an apparent shift from the old national security considerations often used to justify trade barriers.

Fiat plans new car in S America

By John Barham in Buenos Aires

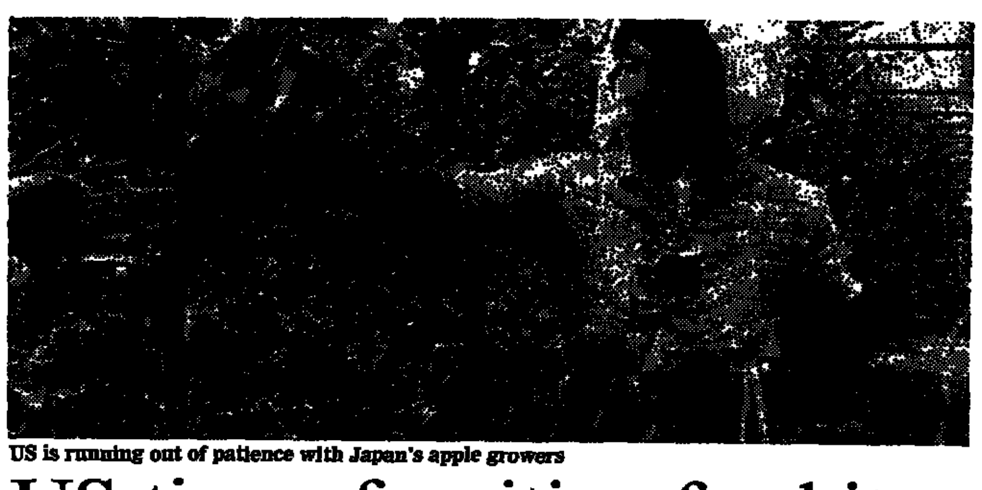
FIAT'S subsidiaries in Brazil and Argentina are planning a cross-border venture to build a replacement for its Uno compact model, currently made in both countries.

Mr Franco Macri, whose Argentine company Sevel builds Fiats and Peugeots under licence, said planning was still at a very early stage.

However, the new project already figured in Fiat's L40bn (£16m) long-term investment planning up to the year 2000. Fiat owns its Brazilian subsidiary outright, but only 15 per cent of Sevel.

Production will maximise available industrial capacity in Argentina and Brazil. The two companies will buy components from suppliers on both sides of the frontier, and to a lesser extent from elsewhere.

As well as selling in Brazil and Argentina, the car would be exported to Italy and other markets. Both countries' car industries have developed strong trade links in recent years. Sevel already swaps vehicles, motors and gearboxes with Brazil and its parent company's factories in the rest of the world.



US is running out of patience with Japan's apple growers

US tires of waiting for bite of Japanese apple market

By Emiko Terazono in Tokyo

"EMPTY boxes, empty promises" reads a sign hanging from empty apple crates displayed at an American food fair in Osaka this week. The display by the Washington Apple Commission, which represents growers producing 60 per cent of the US apple crop, reflects mounting frustration at Japan's reluctance to open its market.

Although Japan officially liberalised this market in 1971, it has been rejecting imports through strict quarantine rules about pests and diseases. Such import restrictions are viewed as a structural trade barrier by foreign agricultural exporters, although the Japanese contend the matter is purely technical.

The US took action to meet Japan's rules for pest control in 1975. However, after 18 years of waiting, it is accusing Japan of dragging its feet. Last week, the US embassy in Tokyo filed an official complaint claiming the technical aspects had been resolved and that Japan's slow processing was a non-tariff barrier.

"Apples are symbolic of Japan's attitude," says Mr Tom Hale, president of the Washington state group. "We've been patient and thorough with the Japanese, and it's not a matter of science any more, but of politics." The US wants the market open by next January.

The US has spent considerable sums trying to meet Japanese requirements for controlling the codling moth pest and fireblight disease. However, when the US Agriculture Department sent data on treatments, Japan then raised concern about another pest.

A Japanese official warned the US not to treat the matter as a trade issue. "We still haven't received a proper explanation from the US why it does not allow Japan to export mandarins to orange-producing American states," he said.

Problems for Nafta seen in Congress

By Anthony McDermott

THE North American Free Trade Agreement, linking the US, Canada and Mexico, could run into difficulties in the US House of Representatives, Mr Julius Katz, former deputy US trade representative, said yesterday in London.

President Bill Clinton would need to persuade his party, the Democrats, to accept the key measures on labour and the environment, particularly on the US-Mexico front. The second round of talks on such issues has been going on this week in Mexico City.

Nevertheless, Mr Katz, who now works as a trade consultant for his former boss, Mrs Carla Hills, the erstwhile US trade representative, told a conference that Nafta, signed last December, "represents one of the most important achievements of the Bush administration". It would be "of great significance to the further development of the Mexican economy".

Mr Katz said that at the outset of the Bush administration priority had been given to the Uruguay Round of trade liberalisation talks. Bilateral free trade agreements "were second order priorities".

The initiative taken by President Carlos Salinas in February 1990 to join Nafta had been his, not that of the US. It had been motivated by the development of the European Community's Single Market and growing attention to the emerging democracies of central and eastern Europe.

Nafta, because of its health and cleanliness provisions in particular, had been described as "the greenest" trade agreement ever negotiated, he said.

He saw continuity in US trade policy under the Clinton administration in that there had been commitment to negotiate with Chile to expand Nafta.

But, he said, "a more immediate problem for President Clinton is to secure the approval of Nafta by the Congress, something which is widely assumed, but is not assured."

East Europe calls EC's bluff over free trade

Community proposals are short on specifics where it matters, reports Lionel Barber

DURING this week's international conference in Copenhagen on economic development in central and eastern Europe, ministers from the former communist bloc served notice on the EC that it was time to put up or shut up.

Dropping diplomatic niceties, the east Europeans pressed hard for further trade liberalisation with the EC and early membership of the Community. Mr Geza Jeszenszky, Hungary's foreign minister, compared their struggle to that of ancient gladiators fighting wild beasts in the Circus Maximus in front of an indifferent (western) Caesar.

The Community's response was less dramatic. Looking sheepish, Mr Niels Helveg Petersen, Danish foreign minister, trotted out the standard EC line that there was no point in setting a firm date on membership. Other free trade-minded delegations pledged to dismantle trade barriers, but were short on specifics where it matters most: agriculture, fertilisers, steel and textiles.

It was left to Sir Leon Brittan, EC commissioner for external economic relations, to raise the free trade flag. He warned western ministers not to use the recession as an excuse for delaying trade concessions, saying the EC enjoyed a $1.3bn (£861m) trade surplus with the chief east and central European economies of the former Soviet bloc.

Sir Leon is eastern Europe's standard-bearer in the battle for accelerated trade liberalisation to be considered at the EC summit in Copenhagen in June. Political steam for a more generous approach is building – if only because at some point the EC will have to confront the contradiction between its political desire to help the former communist countries and the economic reality that so far its concessions on market access have been niggardly.

There are signs of a new approach. In Copenhagen, several western delegations said it was time for the eastern Europeans to rebuild commercial ties among themselves and with the former Soviet republics as part of a grand design to strengthen trade liberalisation across the continent, including eventually Russia.

Mr Alain Lamassoure, the new French minister for European affairs, said greater commercial integration in the east would offset the loss of markets caused by the collapse of the Soviet bloc, but it would also serve a broader aim: to teach the east Europeans "la vie communautaire", just as France and Germany learnt to overcome their old enmities after the second world war.

Brittan warned ministers not to use recession as an excuse for delaying trade concessions

More bluntly, Mr Lamassoure spoke of the "absurd paradox" that east Europeans were demanding free trade with the west while continuing to put barriers to trade with their eastern neighbours.

Mr Tristan Garel-Jones, British foreign minister, was more cautious. Regional co-operation was no substitute for market access to the EC, but it made sense to forge closer trade links between the Visegrad Four – Poland, the Czech Republic, Hungary and Slovakia – and Romania and Bulgaria. "Ways too should be found to revitalise trade with neighbouring states in the former Soviet Union."

Yet all the east European countries are wary of being pushed back into the orbit of the former Soviet Union. Their fears are not only political. Mr Jeszenszky, colourful as ever, recalled that Lada car models built with Fiat spare parts in the east bloc never worked properly. East-west trade was simply superior to east-east trade, he said.

Nor is it clear how Mr Lamassoure's ideas fit into the new patterns of trade which have sprung up since the fall of the Berlin Wall: the EC's single market, the European Economic Area (between the EC and Efta countries); free trade agreements between Efta and the Visegrad Four, between the Visegrads themselves, and between the EC and the six "associate" EC countries (Bulgaria, Romania, and the Visegrad Four).

Confusing the picture still further, the Baltic states have free trade agreements with Norway, Sweden, and Finland but not with the EC – a tricky subject which remains to be tackled during the Nordic countries' accession negotiations to the EC this year.

The eastern European queue for membership is equally tangled. By extending association agreements to Bulgaria and Romania, the EC has offered the same privileges to the Visegrad Four and undermined its claim to be a privileged club. At the same time, the aggressively free-market Czech republic is sprinting ahead; Slovenia, the former Yugoslav republic, is also making rapid progress. Germany is quietly pushing both countries' cause.

EC leaders will soon have to offer clearer priorities, even if this conflicts with the ad-hoc approach favoured by the Community. In the meantime, it is clear that the east Europeans are less willing to play a supplicant role toward their rich western neighbours. The EC's temporary ban on meat and dairy products because of suspected foot and mouth disease in the region unleashed prompt retaliation and howls of rage in Copenhagen.

Mr Pavel Bratinka, Czech foreign minister, noting that there had been no foot and mouth disease in his country since 1974, uttered what could be a prophetic warning: "From now on, the almost automatic support given hitherto by the Czech republic to anything bearing the label EC will exist no more."

European automotive design consultancy forced into receivership

By Kevin Done, Motor Industry Correspondent

IAD (UK), one of Europe's leading automotive design and engineering consultancies, has been forced into administrative receivership with debts of about £13.5m.

Mr Maurice Withall and Mr Peter Flesher of accountants Grant Thornton have been appointed joint administrative receivers.

Mr Withall said last night that offers for International Automotive Design had been received from several companies and a sale could be completed before the end of next week.

"We are very hopeful and expect to be successful in selling the business as a going concern," he said.

Mr Godfrey Harker, IAD group finance director, said the company's debts included bank debt of £7m, trade debt of £4m and £2.5m owed to the Inland Revenue.

It expected to make a loss of £2m to £2.5m on a turnover of up to £52m in the year to the end of this month. Turnover had begun to fall sharply since mid-1992.

The company had been profitable until halfway through the present financial year, but turnover had declined significantly from about £60m in both the previous two years. The strain on IAD's finances was increased by the financial collapse in February of Daf, the Dutch truck maker, which owed IAD around £500,000.

IAD, based at Worthing, West Sussex, has carried out contracts for many leading vehicle makers since it was formed in 1976 by Mr John Shute. The company is owned 77.5 per cent by Mr Shute and his family and 22.5 per cent by Cinven, the UK's second largest venture capital investor. The company, which won three Queen's awards for exports in the late 1980s, has established a presence in most of the leading car producing countries with subsidiaries in Germany, France, Spain and the US and liaison offices in Tokyo, Seoul and Moscow.

It has played a leading role in the design and prototype development of a range of vehicles including the Ford Scorpio estate car, Ford's Lincoln Town Car in the US, the Volvo 440 and the Mazda MX-5 sports car.

It has been in the forefront of development of electric vehicles and recently won a substantial design and development contract from Telco, the large Indian commercial vehicle maker.

The IAD group employs nearly 1,000, including many independent consultants under contract. The company employs just under 300 in the UK, mainly at its Worthing headquarters.

Only the UK parent company and five UK subsidiaries have been placed in receivership.

Mr Harker said last night: "It is the back end of the recession catching us. We had been looking for additional capital for a little while and had been trying to interest the venture capital market, but falling turnover did not help."

Under Mr Shute's forceful leadership IAD has been built into the UK's leading automotive design and engineering consultancy. Its concept vehicles have been exhibited at many leading international motor shows, and the company had started to rival long-established Italian automotive design houses such as Pininfarina, Italdesign and Bertone.

Britain in brief

Fishermen in talks on blockades

Fishermen from ports throughout England and Wales meet tomorrow to decide the next phase of their campaign against the government's fisheries policy.

Some of the representatives are expected to favour more of the blockades which in the last four weeks have disrupted shipping in and out of Teesport, Plymouth, and the Mersey estuary ports.

But Mr Richard Banks, chief executive of the NFFO, said; "Nothing is ruled out".

The fishermen's blockades were designed to raise public awareness of their opposition to the new Sea Fish Conservation Act which will restrict the number of days UK fishing boats can go to sea.

Charity shops show profit

The typical British high street charity shop made a profit of 27 per cent on weekly sales and donations of £963, according to a survey.

Oxfam has both the largest sales and profits of any charity, followed by Imperial Cancer Research Fund, the Spastics Society and Barnados.

The survey, conducted by NGO Finance, covered the accounts of 2,760 shops run by 26 charities. That represents more than half of the estimated total 4,671 shops run by 41 charities around the country.

Europe threat to engineering

A fragile recovery in UK engineering output is being threatened by deepening recession in vital European export markets, according to the Engineering Employers' Federation.

The EEF, in its latest economic trends report, said that all the main engineering sectors, except aerospace equipment and metal goods, could now expect higher sales over the months ahead.

Forecast engineering sales for 1993 of £130bn represent a modest improvement over the 1992 total of £128bn and will only restore industry sales to the level achieved in 1980.

Post Office sell-off delayed

Cabinet ministers have agreed to delay privatising the Post Office because of pressure on the government's legislative programme and a dispute over the best form for the sell-off.

The sale is sensitive among Conservative MPs because of worries about the impact on the postal service in Tory-held rural constituencies.

Firm signs of upturn in UK house market

By Scheherazade Daneshkhu

FIRM evidence of an improvement in the housing market emerged yesterday from estate agents and the chairman of a leading building society.

The Ombudsman for Corporate Estate Agents (OCEA), an industry-appointed body, reported a 36.4 per cent increase in contracts exchanged in March compared with February. It said the number of exchanges reported by its members in March totalled 35,285, compared with a low last year of 19,027 in September.

OCEA accounts for approximately 50 per cent of the total estate agency market in the UK. However, the March figure represented a more modest 12.5 per cent increase on March 1992, when the number of exchanges reported was 31,351.

Mr Alan McLintock, chairman of the Woolwich building society, the fourth largest lender, said yesterday that its estate agency arm, Woolwich Property Services, reported an increase in net sales of 40 per cent in the first quarter of the year compared with the same period last year.

"There are concrete signs of the long awaited revival in the housing market," said Mr McLintock at the society's annual general meeting in London.

Confirmation of this optimism was given by Alliance & Leicester Property Services, which said it had seen a year-on-year increase of 38 per cent in sales while Nationwide Estate Agents reported a 33 per cent increase in sales in the first quarter of the year compared with last year.

Mr John Nicholson, chairman of Crest Nicholson, the Surrey-based housebuilder, was also optimistic at the company's annual general meeting yesterday. He said visitor levels across the company's sites and open market reservations since mid-February were well up on the same period in 1992. He also said that asking prices had been obtained since the beginning of the year.

However, Mr John Wriglesworth , housing market analyst at UBS, warned against talking up the market. The OCEA figures for gross monthly sales – offers accepted – and net sales, which strip out those which have fallen through – showed much lower increases compared with last March. Gross sales last month were up 7 per cent compared to March 1992 and net sales increased by 15 per cent over the same period.

"We are seeing a return to 1992 levels of activity before the reintroduction of stamp duty and no one thought that 1992 was wonderful for the market," said Mr Wriglesworth.

"Transactions have improved and the year will probably end up 20 per cent higher on last year but when things have reached rock bottom, anything is an improvement," he said.

Tougher English teaching planned

By John Authers

STRICTER standards for spoken English, and tougher requirements for teaching Shakespeare, are features of a radical set of proposals for revisions to the English national curriculum.

The proposals, announced yesterday by the National Curriculum Council, could affect all teaching of English in England and Wales.

They include exhaustive lists of recommended reading for children up to the age of 16, and streamline the present curriculum. The number of attainment targets for children has been reduced from 159 to 99.

However, the review has added fuel to the confrontation between the government and teachers' unions over tests for the national curriculum, which are due to start in June.

Most teaching unions now plan to try to force the government to abandon the tests this year.

Opposition politicians attacked the timing of the proposals which come only a week after Mr John Patten, the education secretary, announced a review of the full national curriculum.

All pupils will now be required to read one Shakespeare play between the ages of 11 and 14 and another by the time they are 16. Teachers complained this was unrealistic for less able pupils.

There were also doubts about the rules for spoken English. Under the proposals, primary school teachers would be expected to correct pupils at Key Stage One (between the ages of five and seven) for making ungrammatical comments such as: "We was robbed", and "We winned at football".

By Key Stage Two (for 11-year-olds), pupils should be proficient in "standard English" and should not make mistakes such as: "Pass me them books", and "We haven't seen nobody".

There will be three months of public consultation and the resulting guidelines will be introduced between 1994 and 1995.

Brothers wound Nintendo giant in key US court ruling on game

By Gary Mead

THE ELECTRONIC games market is a battlefield, both on and off screen. On screen, Sonic the Hedgehog or Mario the plumber exchange fisticuffs with a host of enemies. Off-screen, the large manufacturers wage multi-million-dollar court actions.

Sometimes the giant-slayers win. Two brothers, Richard and David Darling, who own a software publisher called Codemasters, heard last month that the US Supreme Court declined to hear an appeal from Nintendo in an action against Lewis Galoob Toys, Codemasters' US licensee, giving them a clear victory and putting an end to a two-year legal case.

Nintendo – which with another Japanese company, Sega, overwhelmingly dominates the international £9.2bn electronic games market – was required to deposit a $15m bond in the US courts. It may now be required to forfeit that bond.

In the court case, Nintendo acted against one of Codemasters best-selling products, a copyrighted enhancer called Game Genie, which Codemasters claims has achieved international sales of $100m. It is an important victory.

Nintendo is appealing against forfeiting its $15m bond, of which $3.4m is due to the Darlings, and may take the appeal all the way back to the US Supreme Court. It could be another year before the Darlings see any cash from the case.

But what really counts is the go ahead in the US for Codemasters' business. At the heart of the off-screen conflict are problems of definition concerning peripherals – a broad category including everything from joysticks and screen-magnifiers to game enhancers, which clip onto game cassettes and give the player extras, such as additional lives for the central characters.

The key question is when is something proprietary – exclusive to the original system manufacturer – and when not? It's a grey area and some key figures in the industry see Nintendo and Sega eventually losing their control. They expect other big Japanese electronics companies, such as Sony and Matshushita to move into games software.

Both independent software producers and the large manufacturers run into conflicts because current copyright laws, both in the EC and the US, are thought inadequate by some legal experts.

Thatcher returns to world stage

Ralph Atkins on the former PM's standing at Westminster after her intervention in debate on military involvement in Bosnia

BARONESS Thatcher, the former UK prime minister, has proved this week that she has not lost her political touch.

Her attack on the government's policies in the former Yugoslavia, repeated in numerous television interviews at home and abroad, has reached an international audience.

In characteristic language she accused western countries of acting like "an accomplice to a massacre" and condemned, as "terrible and disgraceful" justifications for that policy put forward by Mr Douglas Hurd, the foreign secretary.

However strong the government's public denunciation, the former prime minister's remarks have stirred Westminster into passionate debate over Britain's role.

"The unofficial view is that she has flipped – gone completely mad," said one MP ally of Mr Malcolm Rifkind, the defence secretary.

That was a careless assessment – although it was true that scarcely a Tory MP was prepared to support Baroness Thatcher's call for Bosnian Moslems to be armed.

But the government was clearly on the defensive in the House of Commons, anxious that her views should not become common currency or be seen in the US as policy.

The private scorn of loyal MPs, fed up with Baroness Thatcher's attacks on her successor as prime minister over Maastricht, was coupled with an admission that her views chimed with swelling anxiety beyond Westminster.

"Her comments have struck a chord with the public," said a Tory MP who opposes increasing military involvement.

Baroness Thatcher's intervention may have been clumsy. But in the Commons there was a growing feeling amongst MPs that "something must be done"; a sentiment that Mr Rifkind at times struggled to contain during debate.

"There is a ghastly parallel between the feebleness of the United Nations as it now stands and the League of Nations some 60 years ago against expansionism," said Mr Barry Porter, a Conservative MP.

"There is a real danger of being dragged into a far wider and more difficult conflict unless some check is imposed on the Serbian driven expansion," said Mr David Howell, Tory chairman of the foreign affairs committee.

Reaction among some opposition Labour party MPs too was surprisingly strong; the condemnation of government inactivity by leftwing rank-and-file MPs more vociferous than those on the front bench.

Ms Clare Short MP, drew parallels between the plight of Bosnian Moslems and the failure to protect Jews in the second world war. Mr Tony Banks MP, said the former prime minister had articulated at least "the deep anger and frustration of people in this country".

Since standing down as an MP at last April's general election, Baroness Thatcher has adopted calculated political tactics. She overshadowed the Conservative's autumn conference with attacks against the Maastricht treaty. Since then she has kept a low profile, concentrating on her memoirs.

Her strategy has succeeded in maximising the embarrassment to the government – probably deliberately. But Mr John Major knows that, while still strong, her support among Conservative MPs is falling.

Many Tories this week were not even angered by her remarks, merely "saddened". The emotional content of her outbursts – particularly in comparison with her successor's flat delivery – has also led to ridicule.

But to an extent, Baroness Thatcher was voicing the frustration of Tories wanting firm leadership after a year dominated by rows.

She has at least served warning that ministers must work hard to hold the Conservative party together over government policy towards Bosnia.

VICTORIAN ECHOES: the government seeks modernisation and privatisation in the future and hopes G4 will set an example

Group 4 survives escape row to bid for private prison

JAIL systems throughout the world share a common first rule, even if they differ in most other respects – hang on to the prisoners.

Yesterday Group 4, the private security service, met UK prison service officials for talks in London after four men escaped or were wrongly released within as many days as Group 4 took control of a prison escort service.

There was more at stake at the meeting than the usual embarrassment over escapes. The government's ambition to extend private management to wide areas of the criminal justice system depends on the private sector being able to deliver a reliable service.

In the event Mr Derek Lewis, director general of the Prison Service, said the next private sector contract would be phased in to operation. Switching the entire contract to Group 4 Court Services on a single day was a mistake. Group 4 will be among the new bidders.

He also agreed that only one of last week's four disappearances by prisoners was attributable to Group 4; but a further meeting will be held in a month to monitor the situation.

Group 4, one of the largest security organisations in the world, runs Wolds, on the east coast of England, the first privately managed prison in the UK. It is also among this week's bidders to manage Strangeways prison, Manchester, one of Britain's biggest prisons. Group 4 is a subsidiary of the Dutch-based Group 4 Securitas which has 32,000 employees worldwide – 8,000 of them in the UK – and operates in 33 countries.

Security companies were natural candidates when the government sought private-sector involvement in the criminal justice system.

But their established activities in cash delivery, guard services and security patrols still left them short of the specific expertise needed to run prison services.

Group 4 has recruited some high-ranking staff from the public sector. Mr Charles Erickson, a senior Home Office civil servant, and Mr Walter MacGowan, a former governor of Strangeways, joined the company last year. Group 4's director of the new prison escort contract is Mr Michael Hirst, until January chief constable of Leicestershire.

"Bidding for government prison contracts is in line with our business objective of remaining in security activities rather that diversifying," Mr Stephen Brown, managing director of Group 4 Total Security said.

"There was always a possibility of complications in taking over a complete, complex contract on a single day," said Mr Brown. "But it should be remembered that since Group 4 started managing Wolds prison a year ago we have been responsible for escorting prisoners between Wolds and the courts. We have handled 8,000 movements in a year without incident."

Telephone challenge by AT&T

By Alan Cane in London and Martin Dickson in New York

WHAT do AT&T 's plans to challenge BT in the UK telecommunications market mean for its customers?

Cheaper calls for a start, as competition erodes the cosy "correspondent" arrangements which obtain now, where national carriers co-operate rather than compete across national boundaries. These could give way to head to head rivalry in international and domestic markets.

There is the prospect of cost-effective, "seamless" international communications services with only one company and one set of bills to deal with. In the UK, for example, AT&T says it intends initially to offer British business customers virtual network services and digital private lines for high speed data and voice communications.

Assuming that the AT&T request is granted, what effect will new competition have on the market? Analysts yesterday argued that Mercury was more likely than BT to suffer from AT&T's presence in its home market.

BT, for example, intends to offer the same sorts of services in the US that AT&T plans to offer in the UK. It believes that access to the lucrative US market will give it advantages that are well worth the risk of extra competition in the UK. Mercury, on the other hand, is much smaller and has specialised in the business market on which AT&T is focussing its efforts.

AT&T's application is the latest move in a complex regulatory game of give-and-take across the world's telecommunications markets.

It was the inevitable retaliation to BT's request last month for permission to operate international and domestic services in the UK. The only surprise was how long it has taken AT&T to make its move. Sprint Corporation, the third largest US carrier, lodged an application for a licence with the DTI over a year ago.

It is also no surprise that AT&T is trying to use its influence with the FCC and the US administration to block BT's application as a bargaining measure.

The main telecommunications carriers such as AT&T and BT are resigned to these changes and are preparing for the battle for customers; what remains to be thrashed out is the terms on which the various players will have access to each other's networks and markets.

This is what lies behind calls for "equivalence" or reciprocal access arrangements, guaranteeing a level playing field. For BT and AT&T to fulfill their goals of becoming global "supercarriers", they must have access to each other's markets. Both complain about the regulatory regimes they have to surmount.

THE PROPERTY MARKET

Farmers' barren landscape

The long-term outlook for agricultural land values remain uncertain, writes Vanessa Houlder

Have agricultural land prices in the UK hit bottom? After three dismal years, some agents believe the land market is set for a tentative recovery.

"The feeling is that we are at a turning point," says Mr Jim Ward, head of research at Savills, the chartered surveyors.

Farm values have dropped by as much as 50 per cent in real terms since their 1980s peak but as the Royal Institution of Chartered Surveyors says, "there are signs that the recent decline in farm values is coming to an end, as lower interest rates relieve the burden on hard-pressed farmers."

Any recovery will be from a low base. Values are at their lowest for a decade and, in real terms, at their lowest for 30 years. But the decline has been far from steady: agricultural land has been a particularly volatile sector of the property market.

In the 1970s, land values rose steeply as a result of a large increase in farm profitability, stemming from increased production yields and higher EC support for farm prices. Land values were forced up by greater demand for land from financial institutions, largely in the belief that property was a good hedge against inflation.

Farm values have dropped by 50 per cent in real terms since their 1980s peak

But by the early 1980s, the EC's Common Agricultural Policy was producing food mountains – and a constant stream of criticism. Brussels instigated reforms in an effort to control production and curb costs, leading to progressive cuts in the prices of farm produce. The resulting constraints on farm income, coupled with lower inflation, sharply reduced potential investors' appetite for land.

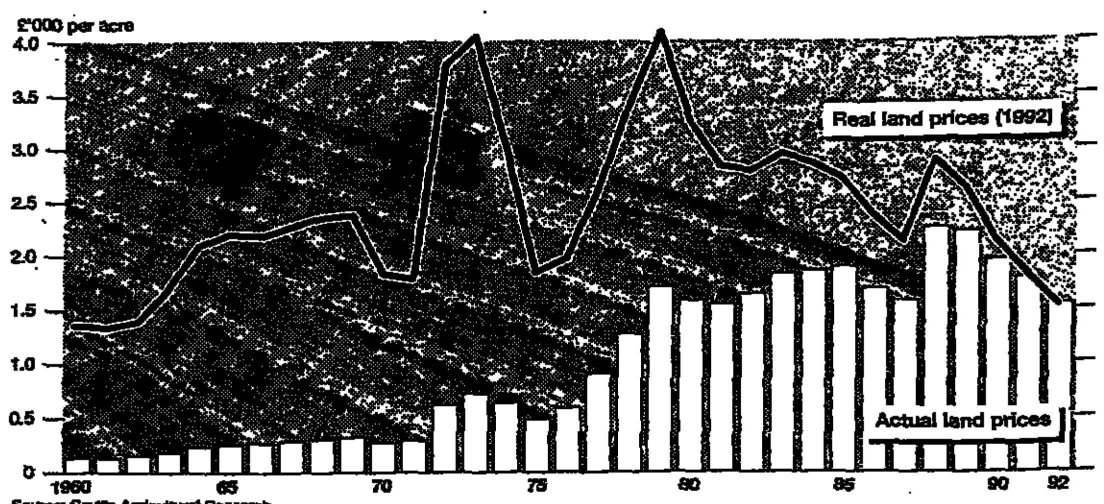
This decline in demand for land was briefly reversed in 1988, when land values shared in the general inflation of asset prices. Values were boosted by new investors who relished the prospect of life in the country. Prices paid for residential farms in the south and west of England rose by 40 per cent between 1987 and 1989.

But once recession took hold in 1989, drying up the supply of new investment, prices began to nosedive. At first, this decline was reinforced by further pressure on farm incomes. But in 1991, there was a modest improvement in incomes; the Ministry of Agriculture calculates that in 1991 farm incomes rose by 1.1 per cent, a drastic revision of its earlier estimate that incomes had fallen by 14 per cent to their lowest level since 1945.

Farmers' fortunes again improved last year. Poor weather, uncertainty about CAP reforms and the stalled talks on liberalising world trade under the Gatt Uruguay Round resulted in a mood of despondency among farmers.

The gloom was, in part, ill-founded. Farmers' incomes rose by 23.6 per cent as a result of a devaluation of the "green pound" – the currency used in EC farm trade – following the UK's exit from the European exchange rate mechanism in September and the subsequent easing of British interest rates. A lower interest burden transformed the profitability of many farms.

Real and actual land values



Source: Savills Agricultural Research

But the respite may be temporary. The agricultural land market is still in the throes of immense uncertainty and change. The benefits from the devaluation will be eroded in the next few years as inflationary pressures on imports drive up costs.

Longer term, there is concern about the level of subsidies to farmers. The set-aside scheme introduced last year by the EC (designed to take 1.5m acres of farmland out of production, an area slightly larger than Lincolnshire) involves large subsidies to compensate farmers. In the long term, some farmers are concerned about how long this official support can be sustained.

The future of farming subsidies is a complex issue concerning EC policy, international trade negotiations and public finances. Any possibility of withdrawing support creates alarm in the farming lobby, which argues that falling prices could make farming uneconomic in some areas and lead to its abandonment over large parts of the country.

"Agriculture cannot be turned on and off like a tap," says the Royal Institution of Chartered Surveyors. Once farming has been run down and farmland abandoned, it would be difficult to reverse the situation in the event of an upswing in demand."

But critics of the set-aside subsidy believe that falling land values would merely cause temporary hardship while the removal of subsidies could lead to less intensive and more environmentally-friendly farming. Cheaper land would reduce farmers' needs for such high returns, according to the Council for Protection of Rural England.

Likewise, Friends of the Earth, the environmental lobby group, argues that the real problem is not a surplus of land but rather that land is farmed too intensively.

Farmers' incomes improved after sterling's ERM exit and from interest rate cuts

Friends of the Earth is opposed to taking land out of production because of uncertainty about climatic change, the possibility of a national emergency, and the likelihood that intensive methods of production may be severely eroding topsoil and contaminating ground water. "We do not believe we should be relaxing strategic reserve of land in the UK," says Mr Robin Maynard, countryside campaigner for FoE.

Conservationists are also concerned about the alternative uses to which land is put once taken out of production. They are fearful that allowing more development in the countryside would create a knock-on demand for new roads, housing and shops.

But others believe that agricultural land can be put to better use. "Are we right to agonise over every last acre of rural land when, after the CAP reform package is implemented, so much will lay idle?" asked Mr Christopher Jonas, president of RICS in a speech in the House of Lords in December. Mr Jonas criticised the "almost pathological fear of development in the countryside.

"All evidence points to the fact that most of us would prefer to work in a more rural environment. With improved transport links and new technology, this is increasingly practicable," he said. The trend is to permit more uses for agricultural land as businesses and people move to the countryside. This view won official support early last year when the government told local authorities that "little weight need normally be given" to the loss of farm land of moderate or poor quality – which makes up two-thirds of Britain's agriculture land – when councils draw up their development blueprints.

The government's attitude to development in the countryside shows that the value of agricultural land is not wholly dependent on the state of the agricultural industry. This, together with brighter prospects for farm profits over the next few years, might give some support to land values.

But hopes of a revival are tentative. And looking ahead, there is immense uncertainty about the prospects for rural land values.

هكذا من الأصل

Increased claims are the latest threat to insurers battling to contain medical bills, reports **Alan Pike**

An antidote to high health costs

Cost increases are the biggest potential killer of private healthcare in Britain. Controlling them is now as important an issue for private health insurance managers as generating new business. But just as the insurers were congratulating themselves on their progress in containing hospital costs another problem has arisen.

"Cost increases are not now being driven by rises in healthcare prices, but by the increased frequency with which insured people are having treatment," explains Arthur Large, managing director in charge of membership at Bupa, the biggest private healthcare group. Last year Bupa's average claim costs rose by 9.6 per cent – 7.2 per cent resulting from an increased frequency of claims.

The latest trend is in contrast with the recent improvement which has been made in curtailing actual medical bills. Recent tough negotiations with hospital operators have begun to pay off. Innovations such as procedure pricing – hospitals agreeing to perform all operations of a particular type, such as hip replacements, at a single set price – have broken the traditional pattern of medical costs rising faster than general inflation.

Roy Forman, managing director of Private Patients Plan, the second biggest medical insurer, said when announcing his annual results last month that PPP had "made more progress in the important area of claims cost management last year than we did in the whole of the previous decade."

The striking growth in claims has many possible explanations, not all directly clinical. People with private medical insurance sometimes still use the National Health Service for routine treatment; this seems to be happening less, however, after several years of publicity about waiting lists and funding problems in the public sector.

Fundholding GPs, who finance their patients' NHS care from overall set budgets, have an incentive to encourage individuals with private health insurance to use it. Last year's sharp growth in claims will have included some employees who feared redundancy and sought treatment while still members of their employers' schemes.

Despite these factors, though, Bupa managed to reverse the industry trend in its corporate business sector – covering bigger companies – where the frequency of claims showed a slight fall.

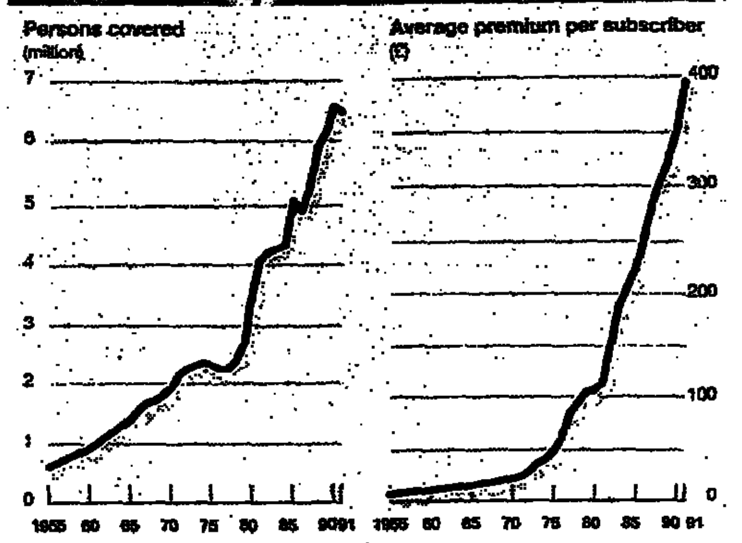
The stabilising of corporate claims reflects attempts by Bupa to persuade client companies to manage healthcare schemes more actively. Companies are advised to appoint a specific manager to administer schemes and handle employees' claims. They are urged to consider levying excess charges on employees – people may think twice about opting for treatment if they have to pay part of the cost themselves.

Bupa has now advanced from this package of common sense advice to a more sophisticated Care Support Service for corporate clients and their employees. It offers Bupa a hope of managing costs by discussing possible options with patients before treatment begins.

Employees of companies in the Care Support scheme telephone a helpline staffed by Bupa nurses once they have been referred to consultants by their GPs. This gives Bupa the option, in appropriate cases, of suggesting that patients consider day-case surgery, one of the biggest cost-saving measures currently available in hospitals. Day-case surgery saves around 30 per cent on typical costs by avoiding the need to keep patients in hospital beds overnight.

Hospital accommodation and nursing charges amount to more than 40 per cent of total insurance claims – a night in a private hospital room will usually cost between £180 and £280. When an in-patient stay is necessary Bupa nurses will, with patients' permission, discuss home-care needs with their consultants and organise nursing and domestic support to meet them.

UK private medical insurance



Source: Laing & Buisson

Around one-third of large companies insured by Bupa are already enrolled in Care Support. It treads delicate ground – Large and his colleagues know patients want to be sure decisions about treatment are made on medical grounds, rather than to meet the cost-control desires of an insurance company. To help provide reassurance, the scheme contains provision for a second specialist opinion for patients undergoing surgery.

But there are prospects of schemes such as Care Support turning everyone into winners. Health managers like day surgery because it is cheaper. Companies will like it if it helps keep premium increases down (premium increases for Bupa's company schemes have been 7 per cent during the past year – half the level of increase for individual customers). Patients like it because it avoids having to stay in hospital unnecessarily. And many doctors say that, for appropriate procedures, day surgery results are better those of conventional methods.

An organised US alternative

Surging health care costs have forced some US companies, such as Glazer Steel in New Orleans, to drop health insurance benefits altogether. But eliminating the perk is not easy. Most unions demand healthcare packages for workers as part of labour deals; failing to offer them can put non-union companies at a severe disadvantage when competing for talented personnel.

Soon, eliminating employee health benefits may no longer be an option for any US company, since the Clinton administration is working on healthcare reform which will probably require all employers to cover workers' insurance payments. If they are to remain competitive, companies must find ways of curbing health costs.

Until recently, most US companies offered benefits under the traditional "indemnity" system. Under this system, employers pay workers' insurance premiums. When the workers suffer illness, the insurance company covers most of the cost. Many companies have found indemnity insurance expensive and inefficient and have turned to "managed health care".

Under managed care, companies join forces with other groups in large-scale organisations known as "health maintenance organisations".

HMOs claim to be cheaper than indemnity insurance. Their size means they hold substantial bargaining power with physicians, pharmacies and other healthcare providers.

Many HMOs cover millions of employees, usually concentrated in one region, and this gives the organisation a great deal of influence on pricing.

Economies of scale help keep a lid on costs at the HMOs. "Doctors and nurses often spend an inordinate amount of time on administrative work," said Alan Raymond, a spokesman for Harvard Community Health Plan, one of the largest HMOs in the country. "If they join our network, we take care of all that for them and everyone benefits."

HMOs emphasise preventive medicine. Unlike indemnity plans, HMOs cover regular check-ups, vaccinations and other benefits. Over the last few years, many HMOs have extended their coverage to work-site health educational programmes, diet workshops and fitness clubs.

There are some 550 HMOs in the US, covering about 15 per cent of the population. According to health benefits consultants Foster Higgins, more than half of all US corporations now offer HMO options to their employees. HMO coverage is also extending to smaller companies. This is because many small companies have joined forces through associations which agree to handle the small companies' administrative work.

HMO plans are starting to pay dividends to the US private sector. A study by Foster Higgins noted that the increase in health costs for HMOs rose 8.8 per cent in 1992, compared with a 14.2 per cent surge for traditional indemnity plans.

Victoria Griffith

Banking on satisfaction

John Gapper on how Lloyds is trying to improve service standards

If you telephone a branch of Lloyds Bank and it rings five times before there is a reply; if the person who answers does not introduce him or herself by name during the conversation; if you are standing in a queue with more people in it than the number of open tills, then something is wrong.

If any of these things happen, then the branch is breaching standards of customer service set by the bank since last July. The idea of a British bank having such mechanistic measures of customer service is far from traditional. Yet Lloyds feels it has little choice but to change its ways.

As banks try to devise new charges to raise income from customers, they are confronted with increasing alienation. An internal survey at Lloyds found that while 73 per cent of bank customers were happy with their bank in 1987, the figure had dropped to 61 per cent by last year. This is a dangerous trend because many banks have invested in subsidiaries such as life insurance operations companies to try to sell more to their customers. "It is a truism that you can only sell to a customer who is satisfied with the service he is getting," says Clive Kenyon of Lloyds.

Kenyon is trying to ensure customers are more satisfied with Lloyds than in the past. He is in charge of the "service challenge", which was launched in the bank's 1,888 branches last summer after being tested in 55 branches in 1990. The initiative will be developed throughout this year.

The reasoning behind it is simple. The bank hopes to raise the level of service by setting "core" standards every branch must meet and supplementing them with local targets. These standards are being measured by a range of methods including customer surveys and staff questionnaires.

Kenyon argues that Lloyds underestimated the impact of poor service before because it could not measure service as easily as the loan mistakes that appear as debt provisions in annual accounts. "A bad loan is a very obvious cost, but a mistake in a pamphlet can be just as damaging," he says.

The emphasis on measurement means the bank's new standards are deliberately unexotic. Things such as the speed at which calls are answered can be quantified fairly easily. "We just want to encourage polite, efficient service," says Kenyon.

The bank has tried to encourage participation from staff by allowing groups of employees working in teams in branches to set their own additional standards. "They can choose, but it has to be something that has an impact on customers, not just watering the plants twice a day," he says.

Lloyds already has evidence of the impact. Customers were more satisfied with pilot branches in 1991 than with others. Furthermore, since the initiative was launched nationally in the summer, average satisfaction with branch service has risen five points on a 100-point scale to 81 points.

The bank hopes to raise the level of service by setting 'core' standards for all branches

The bank is monitoring the impact using four methods, two of which are customer surveys. There is a "first impressions" survey of all new customers. There is also a general survey carried out every six months which seeks the views of a weighted sample of 350 customers per branch.

The other two methods are more eclectic. A survey company telephones each branch anonymously twice a month to test how staff respond to inquiries about products. Finally, a quarter of each branch's staff answer a monthly questionnaire about the bank's products to test their knowledge.

Kenyon says this is not intended to create competition among branches. But it is watching branches that underperform, helped by 24 managers who monitor the initiative. It is not only angry customers who are keeping Lloyds' staff under closer scrutiny than ever before.

Worth Watching · Della Bradshaw

A testing mix for the drinks industry

Many people have ordered an expensive brand of whisky or brandy in a bar only to suspect that the bottle has been topped up with a lesser – and cheaper – brand. What is bad news for the customer can be catastrophic news for the drinks maker, as such tactics reduce its credibility.

To help traders ensure only their products are sold under their name, Biocode of Nottingham has developed a marking system which can be added to the liquor in just three or four parts per billion. Antibodies to these markers are then developed which react with it – by changing colour. By removing a trace of the liquor and mixing it with the antibodies it is possible to tell if the drink has been tampered with. Biocode: UK, 0904 430616.

From sludge to compost

A method of turning sludge from sewage treatment plants into agricultural compost has been developed by the French company Leas, of Saint-Ismier.

The first phase of the process is to extract the sludge and remove most of the water and then add this to bark, sawdust and household waste to improve the consistency and increase the proportion of carbon. Air is then circulated through the mixture to create oxidation so that the organic matter breaks down. The mixing and oxidation process is computer-controlled and can be remotely monitored using a modem and telephone line. Leas: France, 76 52 13 30.

Engineering an efficient car

With increasing environmental pressures on the motor car, engine makers are trying to improve the efficiency of the internal combustion engine while reducing emissions.

Ricardo Consulting Engineers, the engine and transmission specialist, has developed a combustion system for engines which, it claims, reduces fuel consumption by up to 12 per cent while radically reducing the levels of waste oxides of nitrogen.

The CCVS (combustion control by vortex stratification) system recycles inert exhaust gases back into the system. Previously, exhaust gas recirculation resulted in an increase of emitted hydrocarbons and high fuel consumption. CCVS keeps the waste gases separate from the fuel and air mix, which means the air and fuel burn cleanly. Ricardo: UK, 0273 455611.

Fewer dealers upgrade technology

The overall demand for dealing room technology is showing little signs of recovery, according to Kimsey Consulting's annual survey of the UK market. Twenty per cent fewer firms than this year are expected to upgrade or replace their systems in the next 12 months. Despite this, the market for dealer boards will increase substantially to be worth more than £30m this year.

When asked to rate information vendors, dealing room managers placed Reuters at the top of the list, displacing Quick which has held the top position for the past four years. Kimsey Consulting: UK, 081 429 2450.

Producing every golfer's dream

The latest in computer-aided design technology has been combined with some of the most novel research in polymers to produce every golfer's dream – a more accurate golf ball.

Developed by Spalding in the US, the "Magna" ball is 2 per cent larger than traditional balls but complies with the game's weight rules. The Magna has a softer core and a thicker covering of Spalding's "Zylin" polymer and larger dimples on its surface. Spalding says these changes give the golf ball an advantage of 11 to 17 extra yards on a drive. Spalding: US, 413 536 1200; UK, 0954 781672.

Andrew Baxter on a new engine that outperforms standard induction motors across the board

Chasing the current

There can be no tougher challenge for inventors than to break into an industrial market with established players worldwide and a mature product that has been refined and improved over many years of development.

It is hard enough persuading manufacturers that your invention both works, and works better than the existing product, says Peter Lawrenson. But getting them to change their product line is even harder.

Lawrenson is founder, chairman and chief executive of Switched Reluctance Drives, a small Leeds-based company which is trying to penetrate one of the oldest and most mature product sectors in engineering – electric motors.

Over the past 25 years, Lawrenson and his team have had an uphill battle convincing the electric motor industry that the so-called switched reluctance (SR) motor can outperform standard induction motors across the board – in efficiency, speed, torque, reliability and robustness.

Now, after spending £35m, an academic idea has been turned into a business whose managers can begin to foresee – through licensing, joint ventures and other deals – the taking of substantial shares in several parts of the world electric motor market, worth \$30bn-\$40bn (£20bn-£26bn) a year in total.

"There are several areas where SR drives could get a 20 per cent market share," says Lawrenson. "Ultimately, when SR drives are totally established, the share could be as high as 50 per cent."

Standard electric motors work through the inter-relationship of two magnetic fields generated by electric current passing through coils in the rotor (rotating part) and stator (static part) of the motor.

An SR drive, too, has a rotor and a stator, but the rotor is, effectively, a solid piece of iron – it is made of a large number of laminations of iron – and does not carry a current.

The idea, says Lawrenson, is to exploit the fact that the forces from a magnetic field on the iron in the rotor can be many times greater than those on currents. Unfortunately, though, they can normally be used only for a short movement, and then stop.

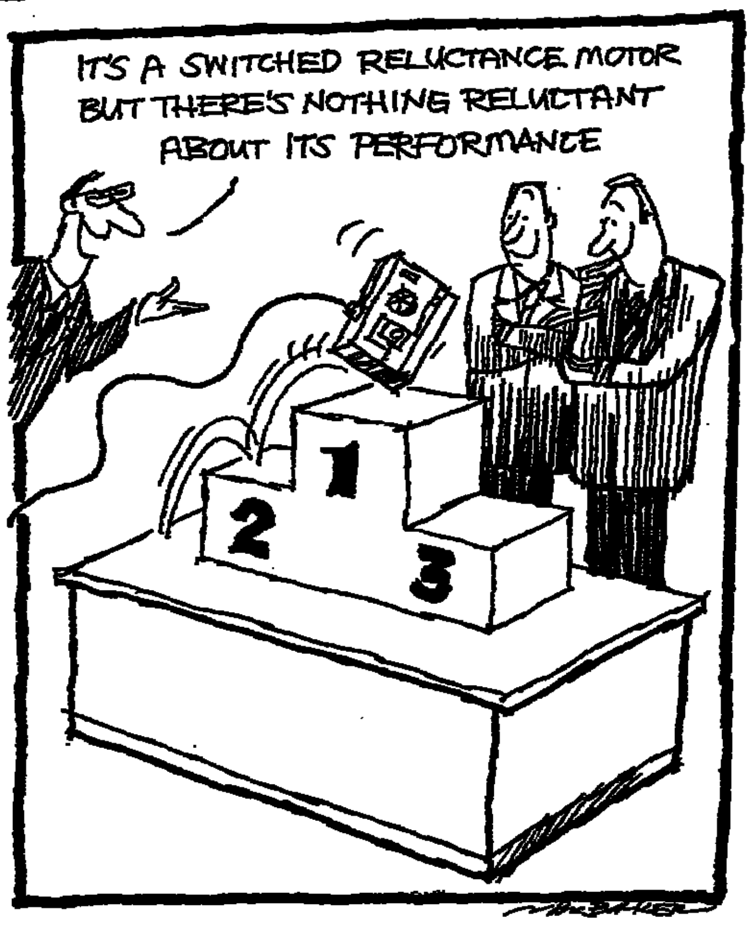
The SR drive makes these forces continuous by switching the current in the stator on and off – ensuring the poles on the rotor are continually "chasing" the current. Controlling this process requires semiconductors, which means that for the first time electronic control is inherent in an electric motor rather than auxiliary to it.

The result is a motor that, size for size, produces up to three times as much power as a standard AC or DC motor. Duty for duty, the SR motor costs half as much to manufacture as its standard rivals, due mainly to the much simpler rotor, yet uses conventional materials and the same manufacturing processes – just fewer of them.

It is the falling price of semiconductors – coupled with rising prices for copper, iron and labour – that is increasingly making SR drives a commercial proposition, says Lawrenson.

"Until the last year or two," he says, "the semiconductors would cost three times as much as the motors, and that didn't add up.

"So we had to get the semiconductor companies to realise that we were offering them potentially the largest market they ever had – through automotive auxiliaries [generators, windscreen wipers etc] and household appliances."



Now, in a typical application such as a washing machine, an SR motor would cost £16 in total – £8 each for the motor and the electronics – against £16 for a conventional motor and £2 for its associated electronics.

SR Drives has spent the past 25 years building up its knowledge of the new type of motor and has become the acknowledged world leader in all aspects of the technology, manufacturing and commercial exploitation of SR drives.

Having initially believed that the motor would work best at smaller power outputs, the company has discovered that there is no theoretical upper size limit. It has successfully developed motors at sizes approaching 1MW, and has paper designs for motors of 5-10MW, big enough to power a locomotive.

The company decided some years ago that licensing was the best approach to exploiting the technology, but has found that the electric motor industry's customers in a wide range of businesses from washing machines and mining equipment to aerospace pumps and compressors have been more receptive than the motor producers themselves.

Some of the latter, says Lawrenson, have considered the SR drive to be "ivory tower rhubarb" and seem also to have found the prospect of switching to SR drives too disturbing psychologically.

In Europe, four companies are producing SR drives for general industrial uses, under licence from the Leeds company, and Sole, a subsidiary of Zanussi, is expected to be producing an SR motor for white goods within two years. In Sweden, Besam, one of the world's leading automatic door producers, is using SR motors – their high torque eliminates the need for a gearbox and thus saves space.

Now Lawrenson is considering taking SR Drives into manufacturing. It already sources key electronic components for its licensees and may within a year or so begin producing one or two motors on a modest scale.

Two leading US companies, General Electric and Hewlett-Packard, are using SR drives independently of the Leeds company in some of their products. Lawrenson takes their involvement as a compliment: "We don't mind, it authenticates all that we've been saying for the past 20 years."

How to disable a virus

Researchers in the UK unveiled a new approach to vaccination at a medical conference in the US last month.

The scientists from Cambridge and Sheffield Universities and Cantab, a Cambridge biotechnology company, have discovered how to disable a virus in such a way that it can activate a full immune response but not spread within its host.

The DISC (Disabled Infectious Single Cycle) approach is being developed first for herpes. By deleting one gene (for glycoprotein H) the scientists have created a virus which is capable of only one complete round of replication but which looks normal to the host cells.

Animal studies show that the DISC herpes virus can protect successfully against infection. It induces protective immunity much more effectively than vaccination with conventional inactivated virus.

Now Cantab plans to move on to human clinical trials, probably starting next year.

Alan Munro, Cantab research director, says the company wants to produce a vaccine against HSV-2, the virus that causes genital herpes. It could prevent infection in the first place or it could stop the symptoms recurring in people who had already become infected.

Although there are competing technologies for making vaccines by disabling or attenuating viruses, the Cantab scientists believe DISC gives the fullest range of immune responses – and therefore the best protection against infection.

In principle, it should be possible to extend the DISC approach to vaccines against other viruses.

"We're thinking about other potential targets," Munro says.

"Selecting targets is always a combination of assessing clinical need and technical feasibility.

"Unfortunately the technical problems with the viruses where the need is greatest, such as HIV, are quite substantial."

Clive Cookson

PEOPLE

The knife that heals

Mark Homan, head of corporate reconstruction and insolvency at accountants Price Waterhouse, is slipping on his surgeon's gloves to take up his position as the new president of the Society of Practitioners of Insolvency.

Homan is particularly sensitive to the portrayal of insolvency practitioners as corporate undertakers, and prefers to see them described as surgeons helping companies to recover. With a year behind him as the society's elected deputy president, he has had plenty of time to contemplate his plan of action.

He says he has two main priorities during his year in office: to improve the image of the insolvency profession, and to consolidate the position of the recently-created society.

"Insolvency has been unjustly treated by the media," he says. "The press on the whole is somewhat unthinking and uncaring in its comments. There is a touch of the journalism of envy about it."

A down-to-earth man of considerable height, he is well-equipped to take on the press, though he says his preference is to be out in the field rescuing companies. He says he will be speaking to journalists and encouraging his colleagues to do the same, emphasising the strides made by the profession after the introduction of tough entry requirements since the 1986 insolvency act.

His second priority will be to achieve close liaison with the society's regional organisations, and he places great emphasis on fostering the involvement of smaller firms.

He will have to steer a careful path to avoid sensitive toes in the relationship between the society – founded less than two years ago as a trade association and is proving increasingly active – and the Insolvency Practitioners Association, which retains its role as a regulator and licensor.

Homan joined Price Waterhouse as a trainee accountant in 1963 fresh from a degree in industrial economics, with accountancy and law subsidiary subjects. In the late 1960s he was seconded to work with Monty Eckman, the firm's head of insolvency, and found himself effectively taking over the job shortly after Eckman died unexpectedly in 1972.

Party time

Paul Judge, who staged a highly successful buy-out of Cadbury Schweppes food interests under the Premier Brands label, is severing his formal links with the venture capital industry to concentrate on his new task of reorganising the Tory Party.

Judge, 43, has resigned as non-executive director of Grosvenor Development Capital, the Slough-based venture capital group which featured, not always to its advantage, in the recent BBC2 Series The Adventurers.

The Grosvenor link resulted from Judge's friendship with Grosvenor's late chairman, David Beattie, from their time at Cadbury. Beattie was a one-time managing director of Cadbury's speciality foods division while Judge was group planning director.

Judge, who is also chairman of the food promotion organisation Food from Britain, led a £97m buy-out of Premier Brands in 1986. He subsequently resigned when a planned flotation did not go ahead and Premier was bought by Hillsdown, a food conglomerate, for £182m in May 1989.

Appointed director general of the Tory Party last November, Judge has since been engaged in a restructuring of the party organisation to reduce staff levels and cut costs.

Bodies politic

■ Richard Ottaway MP, PPS to the secretary of state for trade and industry, has been appointed parliamentary adviser to The BALTIC EXCHANGE; he is a maritime lawyer.

■ Michael Johnson, recently retired head of information technology at Unilever, and a current member of the IT standards, security and quality committee, has been appointed a member of the MONOPOLIES AND MERGERS COMMISSION with reference to telecommunications.

■ Susan Elizabeth, deputy director of the National Council for One Parent Families, has been appointed director of grants for the KING EDWARD's HOSPITAL FUND FOR LONDON.

■ Miles Middleton, a former president of the Association of British Chambers of Commerce and a senior partner of Coopers & Lybrand (north east), has been appointed a member of the RURAL DEVELOPMENT COMMISSION.

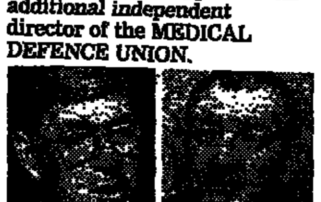
■ Michael Heron, chairman of the Post Office, Sir Duncan Nichol, chief executive of the NHS Management Executive, Bryan Rigby, chairman of BASF plc, Ed Wallis, chief executive of PowerGen, and Sir David Walker, deputy chairman of Lloyds Bank, have been appointed governors to the court of HENLEY MANAGEMENT COLLEGE.

■ Colin Ford has been appointed director of the National Museum of Wales. Currently head of the National Museum of Photography, Film and Television in Bradford, Ford will take over in Cardiff in October when a £26m building programme has been completed.

■ James Roe, chairman of Equity Consort Investment Trust and of CST Emerging Asia Trust, and a director of Rothschild Trust Corporation, has been appointed a reserve member of the MONOPOLIES AND MERGERS COMMISSION.

■ Sir Anthony Cleaver (below left), chairman of IBM United Kingdom Holdings, has been appointed a member of the DTI's Industrial Development Advisory Board for a period of two years.

■ Sir Roland Smith (below right), who at one stage had a record number of directorships of public companies but has been shedding his responsibilities of late, has been appointed an additional independent director of the MEDICAL DEFENCE UNION.



■ John Charlton is slowly wending his way home. After three and a half years as ICI finance director in India and two years in Brussels as chief financial officer of ICI's materials division, he is returning from Belgium to the UK with his Brazilian wife. He has been appointed controller of ICI, reporting to Alan Spall, general manager finance. He will be based at Millbank and says he has a house for sale in Altrincham, Cheshire.

Charlton, 49, replaces Ivan Marshall who is to become controller of Zeneca, ICI's soon-to-be separated bioscience subsidiary. Helmut Radder, chief financial officer of ICI Americas at Wilmington, Delaware, succeeds Charlton.

Zeneca has appointed Derrick Nicholson chief financial officer of its agrochemicals and seeds division. He was previously general manager finance. Nicholson replaces Gordon Barker who becomes deputy chief executive of Zeneca agrochemicals and seeds. Barker will concentrate on wider strategic issues, but retains overall responsibility for finance.

■ Phillip Davey is forsaking booze for drugs. He is leaving Allied-Lyons, where he was a director of the wines and spirits division, to become marketing director at Boots Healthcare International. The post is a new one.

At Boots, he will be responsible for the marketing strategies behind the group's new product development, as well as existing healthcare products, such as Nurofen, Strepsils, Optrex and the E45 range which, in the UK, sell under the Crookes Healthcare label.

■ Paul Cannon has been appointed managing director of Marion Merrell Dow in the UK, with additional responsibility for Ireland, the Netherlands and Scandinavia. The promotion, from director of marketing for MMD in the UK, follows 22 years with MMD.

■ Ignace Goethals, director and senior vice-president of business development and biologicals at SmithKline Beecham's pharmaceuticals division, has been appointed president, SmithKline Beecham animal health. His position as director of business development has been given to Tamar Howson.

Jorge Valls, acting president, SmithKline Beecham animal health, has been appointed senior vice president and director of worldwide commercial operations of SmithKline Beecham animal health.

The Sandby brothers at Windsor: 'The garden of the house of the Deputy Ranger', c.1798

Royal views of Windsor Castle

Susan Moore reviews the work of Thomas and Paul Sandby

One of the major consequences of the Queen's "annus horribilis" has been an increase in public debate abut the Royal Collection. The ill-informed have been tempted to speculate that the Queen might *start selling off works of art to* pay the tax man. Yet a splendid if unassuming exhibition at Windsor comes as a timely reminder that the collection is growing, albeit modestly.

Since the number of paintings, drawings and watercolours is an awesome 10,000, 20,000 and 30,000 respectively, some say that the collection is big enough, while others press for contemporary acquisitions. As it happens, portraits of the *current holders of the Order of* Merit are in the process of being commissioned, and recent additions to the already rich holding of Sandby drawings of Windsor represent a special case.

Amid the throng of tourists gripped by the Changing of the Guard and the burnt-out shells of rooms ravaged by the recent fire, the new drawings gallery is a haven of tranquility. It has been formed out of a Georgian Gothick lobby that led to the Grand Staircase before Wyattville remodelled the castle for William IV. A gallery has been there since the 1960s, but it has been transformed by the designs of Alec Cobbe into an environment that is both intimate and grand. Drawings are shown to striking advantage on Gothic screens against dark burgundy damask.

As a topographical draughtsman *to the Duke of Cumberland*, and then Deputy Ranger of Windsor Great Park, Thomas Sandby was resident at Windsor *for much of his* life. His views of the castle and its environs, along with those made by or in collaboration with his younger brother Paul, constitute an unparalleled record of Windsor and the development of the Great Park in the second half of the 18th century.

Grand, showy gouaches by Paul open the show. Three out of the *four are relatively recent acquisitions* and, given their fragile condition, may never be exhibited elsewhere. The clarity of light and artfully casual distribution of figures in his delightful "The North Terrace looking east", suggest why Canaletto should have been so readily collected by the British – and bring to mind the gouaches of *his fellow Venetian Marco Ricci.*

Thereafter, we move between Paul and Thomas, and sheets that can only be read as a combination of their talents. Few works are signed and even signatures need not always tell the whole truth, but *it seems reasonably clear that the* most ravishing of all the sheets, those carefully pencil-drawn and subtlely washed prospects of the castle and the untroubled landscape beyond, are the work of Thomas. Their meticulous mapping of every tree, *field*, turn in *the* Thames – almost every roof tile – mark them out as the productions of the *trained military topographer who* was to become the first Professor of Architecture at the Royal Academy of Arts. In one masterly panorama, a sign undecipherable to the naked eye offers "Coffie and Tea" in the old guardroom.

Figures appear to have been largely Paul's responsibility. Here are one or two larger-scale studies *of the personalities found in the* Duke of Cumberland's household in the 1750s. Thus we find Bob Dun, one of the Duke's gardeners, "a most facetious fellow", Voules the bailiff, the steward and an unnamed negro servant. More usually, however, the figures are simply staffage, there to be busy in the Moat Garden wielding watering *cans or to stand guard in immaculate* and picturesque uniforms.

Even in this small selection, numbering a slim 28 sheets and representing perhaps a tenth of the collection, there is considerable evidence of unevenness. Thomas is *seen to best advantage in a series of* masterly panoramas, and more modestly at work designing various rustic structures like the root house and the rockwork bridge for the Great Park. Paul is shown capable of bravura gouaches but also of a coarseness of touch which is even more pronounced beside the precision and delicacy of Thomas.

It is not easy to judge this show purely on its artistic merits, or on its historical interest. It is impossible not to be seduced by what comes across as a cloudless golden age before the castle was troubled by the Heathrow flight path and the bad weather John Piper found there during the war.

One note of high drama reminds *us of the present more than the* past: Paul's spectacular watercolour and gouache of "Windsor Castle on a Rejoicing Night". Shooting fireworks confected out of flecks of gold paint light up the night sky and a massive gold and pink-tinged bonfire ominously silhouettes the Winchester Tower and sends out billowing black smoke. And the *presence of a drunken man being* half-carried away from the revelry suggests that Saturday nights have not really changed all that much.

The exhibition continues at Windsor Castle until October 3

Opera in Scandinavia/**Paul Driver**

Ian McQueen's 'Fortunato'

Ian McQueen, though celebrated in Sweden, remains a relatively little known composer in his native Britain. Born in Glasgow in 1954, he studied at the Royal College of Music, then with Maxwell Davies and in Denmark, where his Scandinavian connections began, with Per Norgard. He wrote a one-act opera – *Judit och Holofernes* – for the season at Vadstena Castle, Sweden, in 1987. The success of this hard-hitting but lyrical piece led to a commission for a three-act opera in Swedish from Norrlandsoperan. Several years in gestation, *Fortunato* is now completing a triumphant run of (21) premiere performances at the converted fire-station in Umea which houses this most northerly of opera companies and one of the most enterprising.

Umea is a medium-sized university and medical town (average age, 35) that culturally serves an area *extending up to and beyond the* Arctic Circle. That it has an opera company at all, never mind one that commissions new work from foreigners, is due firstly to a central government decision of 1974 to spread artistic goodness to the regions. But Umea's specific success is the boldly imaginative spirit of its successive chiefs, Arnold Ostman and, since 1988, Per-Erik Ohrn.

Ohrn receives a total of £3.6m in central, regional and civic subsidies, with which he stages two major productions a year and undertakes a substantial amount of touring. An all-round man of the *opera-theatre he has pursued* enlightened creative aims, and no-one could be less provincial in attitude. British directors such as Clare Venables (*Figaro*) and Matthew Richardson (*Midsummer Night's Dream*) have worked at Umea. Richardson returns as *Fortunato*'s director; its designer, Jon Morrell, is also British; its conductor, Gary Berkson, *is American; and its librettist,* Vanda Monaco-Westerhal, Italian.

Ohrn's current ambition is to expand Norrlandsoperan into a four-town federation along the lines *of Opera du Rhin in Alsace*, thus engendering an annual total of eight new productions for the region, which would be swapped around. Meanwhile, activity is concentrated inside the metal-fronted, unpretty but versatile Umea building, with its shoebox auditorium seating 250 and its single admission price of £20.

At the performance of *Fortunato* which I attended the house was full, the average age half that of the town, and the final acclamation was overwhelming. Foreigners though they be, McQueen with his music and Monaco-Westerhal with her story and text have evidently found a way of speaking to their Swedish audiences with vibrant directness. So much so that the critic of one national newspaper has pleaded for this work to be chosen to open the new opera house in Gothenberg. The story, with its Peer Gynt-like protagonist and his picaresque experiences in a medieval world of sleaze, violence and opportunism has a message no doubt for the Sweden of today; but it is a thoroughly archetypal brew, susceptible of any number of interpretations, religious, *sexual*, political.

'Fortunato' has been a great hit for this Swedish company

Both creators have been able to sustain their epic – their "comedy beset with tragedy" – without narrowing its focus to specific issues but without ever losing our interest. *Fortunato* is, in short, a true work of art, at once ambiguous and inevitable-seeming. McQueen's musical language blossoms here as never *before. He is a composer who has* survived early exposure to ravaging post-war stylistic complexity and achieved a most personal and mettled directness of utterance. His manner is eclectic but not essentially allusive: he uses a great variety of means, from the tonal to the electronic, *but only in order to* say what he has to say, never in a spirit of irony or cultural tourism. Even when he writes for Handelian coloratura soprano, it is with the purpose of thus expressing the icy detachment of a mysterious "Woman on the Mountain" (Monica Sjöholm,) not to provide a parodistic knees-up.

This and most of the other solo lines are sensitively devised for the voice. His ensembles, of which there is a generous supply, are richly textured; the *tutti* finales of the first two acts have an astonishing sureness of touch, a genuinely cumulative power. His choral writing is zestful and catchy. But it is his orchestral writing that marks out *the opera's high points*: the extraordinary declamation for unison high violins which accompanies conscience-stricken Fortunato (confined by Richardson in a coffin-sized box) at the outset of Act 2; the wordless love duet for the semi-supernatural couple Voland and Mariella, which has the frankness of a pop-song and the lyrical afflatus of later Tippett.

If the creative team was foreign, the singing strength was powerfully Swedish. The remarkable Mikael Bellini in the title role had an easy vigour which intimated a whole new world of operatic naturalness for the counter-tenor voice. *Mezzo* Carina Strandberg gave us a sumptuously impassioned Mariella. Baritone Peter Mattei's Voland was simply bursting with vocal vitality and stage presence. Morrell's endlessly adaptable stony box-set was admirable and Richardson's direction signally assured. Berkson conducted a performance that was all fluidity, *confidence*, and glowing happiness. *Fortunato* simply *has* to be staged in Britain.

Theatre/**Malcolm Rutherford**

'Real Time' from Israel

The Tmu-Na Theatre of Israel has arrived in Hammersmith and confirms the company's reputation for passionate intensity. The acting is also full of conviction. If you want to see writhing bodies against a musical background in a bar in Tel Aviv on the eve of the Yom Kippur war, here is the opportunity.

You may see something else besides: an excellent company groping for a play. Possibly one is too far outside the culture to appreciate them, in which case I apologise. I saw some wonderful productions in Israel last year, but my impression even then was that the Israelis have developed a talent for acting and directing without producing the *scripts to match. It was explained to* me that the Israeli theatre suffers from self-censorship: it is unable to write directly about contemporary questions, such as relations between Jews and Arabs and what is happening on the West Bank. What it can just about do is to write about relations between Israelis: newcomers and old hands.

Real Time has a shot in that direction. *Almost the first line is* the best. "I didn't talk for a year after I came to Israel," says a Russian immigrant working as the caretaker of Eva's Bar. He was afraid of saying the wrong thing, making mistakes in the language or generally being misunderstood. "All countries hate foreigners," he adds.

The rest never lives up to that. *The fact that it is set on the eve of* the Yom Kippur war is about as trite as another play on the night that Kennedy died: more nostalgia than comment. There is a lot of quite attractive sexual sleaze: four women to two slightly decrepit men. Some of it takes place on and around a lavatory bowl, prominently set backstage centre. One wondered why. If it is satire, it is *heavily coded. It looks like out*moded trendiness.

Tmu-Na is Hebrew for *images* in motion. The company was founded in 1982 by Nava Zukerman who wrote and co-directs *Real Time*. If the company had a real play, it could be terrific.

Lyric Studio, Hammersmith until *May 1 (081) 741 2311. Then on to* Glasgow Mayfest

Wigmore Hall recitals/**Max Loppert**

Ohana and Dutilleux

Paul Roberts's latest London piano recital, at the *Wigmore Hall* on Tuesday, was given in memory of the composer Maurice Ohana, who *died last year* at the age of 78. The tribute was richly deserved.

Born in Casablanca of Andalucian ancestry, a British passport-holder (his father had once been resident in Gibraltar) who spent his adult life in France, Ohana produced a mature compositional voice which, while not disguising the marks of his exotic upbringing nor denying *the potent influences* of Debussy and Falla, remained singularly and fascinatingly his own. The New Grove calls him a "fiercely independent figure" – rightly so, since he steered rigorously clear of the cliques and fashions that dominated French music in the postwar period and yet managed never to fall prey to backwater obsessiveness, small*ness of vision*, or eccentricity.

Roberts, a noted Debussyan who became Ohana's favoured pianist in the last decade of his life, played here six of the *Etudes d'interpretation* that Ohana wrote for him. Each *of these is brilliantly written to* exploit – as are Debussy's late *Etudes*, the obvious starting-point – a particular facet of pianistic technique; each transports the listener into a world of Mediterranean air, light and artistic perception, clean, sensually unabashed, on occasion bracingly harsh.

Melodic lines emerge sharply profiled, *often curlicued with the* ornate tracery of North African cantillation or Andalucian folk song. (In the most striking Study of Roberts's selection, "Main gauche seul", a sinuously weaving line for the left hand preserves its independence through all manner of decorative impositions.) There is a con*stant sense of Ohana's hard-edged*, non-European, sometimes jazzy vitality extending and developing the Debussy pianistic canvas.

Roberts, a superbly under-the skin interpreter of these pieces, also played selections of Debussy, including glittering yet firmly ordered performances of three Studies, and a bold one of Falla's *magnificent Fantasia baetica*. The programme was satisfying both in parts and as a whole, above all because of the intelligence and precise sense of style with which it was delivered.

Another distinctive senior figure of French music, Henri Dutilleux (b. *1916)*, figured *in the recital of the* Ysaÿe Quartet at the Wigmore the following evening. His 1977 string quartet – subtitled "Ainsi la nuit", a short (17 minutes), tightly packed piece – speaks the languages of Bartók and Webern yet with a highly "personal" mode of utterance.

Minute cells, flourishes pile up; the virtuosity of the string writing *is remarkable* both *for its firmness* of purpose and for its lack of ostentation. The young French quartet, who since their victory in the 1988 Evian competition have picked up an international career and a Decca recording contract, played "Ainsi la nuit" with a devotion sadly missing in their brusque, jerky accounts of Haydn (Op. 74 no. 1) and Beethoven (the F minor, Op. 95) earlier in the concert. Even their Mendelssohn A minor, more suavely disciplined, seemed oddly airless and unloving.

The Ysaÿe Quartet concert was sponsored by Banque Paribas

Wilde's 'Happy Prince' to music

Oscar Fingal O'Flahertie Wills Wilde (1854-1900) also wrote short stories. *The Happy Prince* is the subject of an enchanting musical at the Old Fire Station, Oxford. A cast of four, a small band, minimal scenery, it is the quintessence of Wilde's *aperçu* that art should aim to conceal the artist while revealing itself. *It makes a fine evening: no sex*, no violence, no reality.

Sue Casson's light score loosely follows Wilde's story. A statue prince and a migrating swallow help relieve the poverty of a town outside a regal palace; the swallow distributes fragments of gold and gems from the statue, pecks out its sapphire eyes to give away, and the two fall in love as the swallow freezes to death in winter. Wilde left the moral open.

The musical flickers between Wilde's fable and musical-verité, of the *City of Angels* type, where the show draws attention to its own construction. The first number, "Warm-Up", and the later "The *Tricks of the Trade*" are about theatrical illusion; and since Wilde has been modernised, there are sharp contemporary jokes, including Dorothy Parker's line about running the whole gamut of emotions from A to B.

Director Tom Blackmore and the cast (John Herriman, Mina Anwar, Andrew Bolton, Sue Casson) produce strong performances, but the voices sometimes fail to meet the demands of Casson's wordy, witty score. The finest numbers are the lulling "Twilight City" where the swallow circles down *en route* to warmer climes, and the beautiful soaring "Swallow's Lament" duet between the statue and the bird. *Act two opens with a superb* "The Crowd Scene" which peoples the theatre *musically* rather than bodily, four different melodies making the stage teem with life.

Andrew St George

The Old Fire Station, Oxford until April 24 (0865 794494)

INTERNATIONAL ARTS GUIDE

Touring Japan remains a favourite activity for European and American symphony orchestras, not just because Japanese audiences are so quiet and appreciative, but because western musicians and record companies know the commercial value of the world's fastest-growing music market. But the Japanese do not confine their admiration to recording stars. Sergiu Celibidache, the 80-year old chief conductor of the Munich Philharmonic Orchestra, is opposed to the recording process - as a Zen *Buddhist, he believes in the* divine spontaneity of the moment - but this has not stopped him becoming *a cult* figure in Japan. The Romanian-born conductor and his orchestra spend the next two *weeks re*-visiting Japan's splendid concert halls. They offer a popular programme of Haydn and Tchaikovsky tomorrow at Osaka and on Saturday at *Nagoya, before returning* to Osaka on Tuesday for a pairing of Bruckner and Schubert symphonies. From April 22 to 30, they will be in Tokyo at Suntory Hall and Metropolitan Art Space, focusing on the Bruckner *interpretations for* which Celibidache is justly renowned.

Hot on the heels of the Munich orchestra will be the BBC Symphony Orchestra and its chief conductor, Andrew Davis, who begin a two-week Japan tour on May 13. After concentrating on specialist repertoire in the *1970s and early 1980s*, the orchestra has once again - thanks to Davis - become a *distinguished interpreter of* romantic and late-romantic music. This is reflected in the *tour programmes*, which are dominated by Berlioz's *Symphonie fantastique*, Brahms' Second Symphony and Mahler's Fifth. Michie Koyama will be soloist in Rakhmaninov's Second Piano Concerto and Paganini Rhapsody. The tour takes in 12 cities, including Osaka (May 16), Nagasaki (May 18) and Tokyo (May 24, 25, 28).

Another BBC orchestra on tour this month is the Manchester-based BBC Philharmonic, which visits Germany and Austria with its new chief conductor, Yan Pascal Tortelier (April 20-29). The tour opens at Braunschweig, followed by *Frankfurt, Stuttgart*, Regensburg, Vienna, Rosenheim, Munich, Nuremberg and *Augsburg. The programmes* include Elgar's Cello Concerto (Steven Isserlis), Beethoven's Violin Concerto (Igor Oistrakh) and symphonies by Tchaikovsky and Shostakovich.

Georg Solti and the London Symphony Orchestra have been *invited* to inaugurate the new 1800-seat Stravinsky Hall at Montreux on April 28. The Swiss lakeside resort is the orchestra's second stop on a tour that also takes in Paris, Genoa, Rome, Milan and Florence.

■ EXIBITIONS GUIDE

BARCELONA

Fundacio Joan Miro Joan Miro: a centenary exhibition comprising 480 works by the Catalan Surrealist. Ends Aug 30. Closed Mon

Museu Picasso Kasimir Malevich (1878-1935): a collection of works on loan from St Petersburg by the inventor of Suprematism. Ends June 6. Closed Mon

LONDON

Hayward Gallery Georgia O'Keeffe (1887-1986): 83 works by the innovative American artist, noted for her *sensual flower paintings* and ability to express the vastness and grandeur of land. Ends June 27. *Also James Turrell: three* installations by one of the most original of contemporary American artists, known for his exploration of space and light. Ends June 27. Daily

National Gallery 18th and 19th century paintings and drawings from Lille. Ends July 11. Daily

Tate Gallery Georges Braque. Ends June 27. Visualising Masculinities. Ends June 6. Daily

Royal Festival Hall David Hockney: 39 etchings illustrating Grimms' fairy tales. *Ends May 9. Daily*

Courtauld Institute Boudin at Trouville. Ends May 2. Daily

Royal Academy of Arts Georges Rouault 1903-20. Ends June 6. Daily

Accademia Italiana Religious Architecture in the 20th century. Ends April 25. Daily

Barbican The Sixties. Ends June 13. *Daily*

LUGANO

Villa Favorita 19th and 20th century paintings and watercolours from the Thyssen-Bornemisza Collection: a new display of 150 European and American paintings, representing every major style, which were not included in the transfer to Madrid of the Thyssen old master collection. Ends Oct 31. Open Fri, Sat and Sun only till June 20, thereafter daily except Mon

Villa Malpensata Francis Bacon: the first retrospective since Bacon's *death in Madrid last year offers* not only a large number of his best-known works, mainly from *private collections, but also youthful* efforts influenced by Cubism and the Bauhaus, and an unexpected *sideline in his designs for carpets* and furniture. Ends May 30. Closed Mon

MARTIGNY

Fondation Pierre Gianadda Jean Dubuffet: retrospective of paintings and sculpture, paying homage to the proponent of Art Brut. In oils or acrylic, in cinders or sponge, with glued leaves or butterfly wings, Dubuffet fought his fiery battles against suffocating culture. Ends June 10. Daily

NEW YORK

Marlborough Gallery *Francis* Bacon: the late work. Ends April 27 (40 West 57th St)

Brooklyn Museum Manet to Picasso: 35 rarely seen works on paper, created between 1870 and 1940. Ends May 23. Closed Mon and Tues

Guggenheim Museum Picasso and the Age of Iron. Ends May 16. *The main museum* is closed on Thurs, the SoHo site on Tues

Museum of Modern Art John Heartfield: first extensive American exhibition of the work of the inventor of photomontage, offering some of the most powerful political art of the modern era. It includes 96 original photomontages, many shown alongside their published reproductions in the Arbeiter Illustrierte Zeitung. Ends July 6. Also Max Ernst: Dada and early Surrealism *1912-27*. Ends May 2. Santiago Calatrava, Spanish architect and engineer. Ends May *18. Closed Wed*

Metropolitan Museum of Art The Greek Miracle. Ends May 23. Also The Havemeyer *Collection*: 450 works ranging from French impressionists and old masters to Asian *art and* Islamic *pottery*. Ends June 20. Imperial Painting of the Ming Dynasty: 100 works, mostly on silk, from the Zhe School. Ends May 9. Closed Mon

Whitney Museum of American Art 1993 Biennial. Ends June 13. Closed Mon

PARIS

Centre Georges Pompidou Matisse 1904-17. Ends June 21. Closed Tues

Grand Palais The Century of Titian. Ends June 14. Also Amenophis *III. Ends May 31. Closed Tues, late* opening Wed (ave du General Eisenhower)

Musée d'Orsay 1893: The Europe of Painters. Ends May 23. Closed Mon, late opening Thurs (quai Anatole France)

Musée Picasso Picasso and the bulls: paintings, drawings, sculptures and ceramics on the *theme of bull-fighting, showing* its life-long importance in Picasso's imagination and inspiration. Ends June 28. Closed Tues

Petit Palais The Splendour of Russia: a thousand years of goldsmiths' work begin with objects showing Byzantine influence and end with masterpieces dazzling with precious metals, enamel and gems. Ends July 18. Closed Mon

Galerie Gerald Piltzer Chagall: 40 works. Ends May 8. Closed Sun *(78 ave des Champs-Elysées)*

ROME

Galleria Nazionale d'arte Moderna *Filippo De Pises (1896-1956)*: still-lifes and landscapes by this most attractive and sensitive of *painters, seductive in his muted* and delicate use of colour. The best works come from the long *period in Paris* between 1925 and 1939, particularly the Place Vendome with its dramatic central column looming out of the mist, like a romanticised L.S.Lowry. Ends April 30. Closed Mon

Palazzo Ruspoli The Boncompagni-Ludovisi Collection: 25 works from the magnificent collection of classical sculpture put together in the early 17th century by Cardinal Ludovico Ludovisi. Ends April 30

S Michele a Ripa Borghese Collection: 300 paintings from the Galleria Borghese, including works by Titian, Caravaggio, Rubens and *Raphael, on show in this* deconsecrated church while the villa in the Borghese gardens is being restored. Ends Dec 31

VENICE

Palazzo Grassi Marcel Duchamp (1887-1968): 300 works by the witty and iconoclastic artist who abandoned serious painting in 1914, after his outrageous Nu descandant un escalier (included here, on loan from the Philadelphia Museum of Art) *created* a furore. Duchamp would have liked Venice as a setting: the grace of the city provides a nice contrast to the astonishing banality of his ready-mades, objects carefully chosen "to avoid those things recalling an aesthetic past, or even future". Ends July 18. Daily

Fondazione Cini From Velazquez to Murillo: 50 works, mainly religious, from the golden age of the Spanish Baroque, opening with Velazquez's splendid St Thomas, on loan from Orleans. The rest are less exciting, tending to be over-sentimental. Notable exceptions are Zurburan's magnificent Basket of Flowers from Barcelona, and Murillo's four small works on the theme of the Prodigal Son, in a charming 17th century setting. The exhibition, sponsored by Olivetti, will not be travelling. Ends June 27. Daily

PERSONAL VIEW

Japan must now say 'no'

When Shintaro Ishihara, the maverick Japanese politician and noted literary figure, wrote in anguish an essay asking the Japanese to learn to say "no" to America's unceasing trade demands, it touched off a storm in the US.

Many in the US display symptoms of a "diminished giant" syndrome in the face of Japan's rise as an economic superpower, just as the British did when Germany and the US emerged as rivals at the end of the 19th century. These symptoms are so severe that rational discourse about Japan has become nearly impossible.

The time has come for Japan to draw its line in the sand in response to the Clinton administration's plans to muscle its way to a new, tough-minded trade policy on Japan. This would set quantitative import shares (similar to those for semiconductors) as targets for Japanese industries and so seek "results" in place of rules.

Japan needs to say "no" to such demands, which rest on fallacious economics and are destructive of the rules-based world trading system that America's presidents have nurtured since the second world war. But this negative response needs to be combined with positive actions to establish Japanese leadership of the multilateral trading system.

The present US drive to expand "managed" or "results-oriented" trade with Japan, by setting quantitative import targets, derives from the conjunction of a false premise with an unpleasant fact.

The false premise is that Japan's persistent trade surplus is proof that its markets are closed: if manufactured goods could be sold to Japan, it is argued, the surplus would not exist.

The unpleasant fact is that the Japanese market for manufactured goods is open. It is even more open than those of the US and the European Community, both of which have made copious use of voluntary export restrictions (VERs) and anti-dumping and countervailing duties, the favoured instruments of protectionists today. Japan has largely abstained from using such measures.

This combination of the false premise with the unpleasant fact implies that Japan's imports must be restrained "somehow". The Bush administration, in principle sensible in

Clinton (left) and Miyazawa: trade on today's agenda

trade matters, decided that the problem lay in Japan's unique cultural and institutional characteristics. The Clinton administration, generally intemperate about trade questions, has decided that Japan is incorrigible. Its preferred solution is to impose import targets.

Yet the underlying premise is wrong. It is wrong even though President Bill Clinton embraced it in his untutored remarks about Japan at his first press conference.

Students of economics should hardly need reminding that trade barriers, as distinct from macroeconomic policies, do not determine trade balances. But this is not an argument that can be easily sold to politicians. Where abstract arguments fail, examples might work instead. A graph of Japanese trade deficits and surpluses since the second world war would show an oscillation, as is true of most countries, even though its trade policies have become steadily more liberal. Americans should also recall that the US itself ran a trade surplus for many years after the second world war, even though the US was not particularly protectionist at the time.

Japan is being unjustifiably blamed. But its acceptance of import targets in response to a charge that is flawed in conception would be a still greater folly. As the semiconductor case has shown, such targets would be inherently arbitrary. There would also be no effective way for Japan to ensure that its private industries would fulfil them. The targets would also be seen as "export protectionism", allowing any industry with political clout to secure guaranteed shares of foreign markets.

If the US were to obtain Japanese agreement to such targets, the EC would not be far behind. Soon, Japan's trade would be governed by politics, not by competition and rules. Success with an economically powerful country such as Japan would whet the appetite for use of the same policy vis-à-vis other, less powerful countries. The practise would spread as businesses, seeking guaranteed market shares abroad, pressured a complacent administration towards ever more managed trade.

Japan needs to be firmly "rejectionist" when the Clinton administration makes a push for managed trade. It should learn from its semiconductor experience and heed the adage that if one gives way once, one will be asked to yield again. But Japan should also be positive. It should propose an international process to assess complaints of "nullification and impairment" of trade obligations. Such a procedure should serve as a substitute for the establishment of import targets in industries where the US possesses only prima facie complaints, which it too readily treats as final proof.

The suggested process could be bilateral, as in the US-Canada Free Trade Agreement, or, better still, multilateral, as in the General Agreement on Tariffs and Trade. The process would, in turn, be available symmetrically to Japan as a complainant, a feature that is absent from the US Congress's favourite weapon: the 301 and Super 301 legislation of the Omnibus Trade and Competitiveness Act of 1988. The chance of such a role reversal would itself moderate the Clinton administration's enthusiasm for what would otherwise be one-way demands on Japan.

The Gatt is the right institution because it is based on symmetrical rights and obligations among its contracting parties. The Gatt has to be Japan's, and indeed the world's, ultimate defence against managed trade imposed by – and for the interests of – strong nations.

Japan's Prime Minister Kiichi Miyazawa has not, contrary to some assertions, held up the conclusion of the Uruguay Round. It was the EC's unwillingness to make agricultural concessions acceptable to the Cairns Group of agricultural exporting countries that was the main early stumbling block. At the same time, Japan has not given an energetic push towards concluding the Round either. Mr Miyazawa should use today's summit to proclaim that he is willing to compromise on opening rice markets.

Mr Miyazawa should also announce that his strategy would be to close the Round within the year and immediately have a new Round to pursue unfinished business, such as the interaction between liberal trade and environmental protection. On this issue Japan is already at the centre of the stage with its success at the Rio Earth summit.

Japan should say "no" to the unreasonable and unwise demands for managed trade. But it needs also to say "full speed ahead" to finishing the Round, to starting a new one and to strengthening the multilateral trading system, now in severe jeopardy.

Jagdish Bhagwati

The author is Arthur Lehman professor of economics at Columbia University, New York.

Joe Rogaly

Bosnia waits for Clinton

ONLY President Clinton can stop the Serbs. If the job is impossible, at least he – and only he – is in a position to try. It is up to the United States to decide whether the artillery used against women and children in Srebrenica and elsewhere should be bombed. If – when – it does, its Nato allies will participate or acquiesce. Even the importunate Russians may do little more than protest. If a policy of arming the Bosnian Moslems is agreed in Washington it will not easily pass through the Security Council, but in the end it too may prevail.

In such circumstances there would be much wringing of hands in London. Grey-faced emissaries would be sent to Washington. Consider the dangers, they would cry. A rational response would be: yes, we accept that the immediate result is likely to be an addition to the Serbs' stores of munitions. So be it. They are already ample. We understand the exposed position of British troops who are bravely engaged in escorting the convoys that distribute food and medical supplies and extricate refugees. Very well, withdraw the troops. We agree that the medium-term effect might be the resurgence of Russian hostility towards the west. That is a serious risk. But the murders are taking place now, on network news, at peak hours. The possible worst consequence of intervening to stop them may never happen, or can be faced.

Lady Thatcher is aware of Mr Clinton's dilemma. When she was prime minister she soothed President Reagan as her task force steamed towards the Falklands. Two election victories later she strengthened the resolve of President Bush as he assembled his coalition in the Gulf. Thrown out, she taunted her successor from the sidelines until he evolved the plan to provide safe havens for the Kurds. Now, freed from the constraints of office, she is engaged in a passionate attempt to start a war to end the war in former Yugoslavia.

She has run her campaign on television – including, for good measure, breakfast TV in the United States. We cannot yet assess the strength of her appeal to American public opinion, but a fair assumption is that her clarity and evident strength of character will have won her at least some converts, especially in a week in which most of the world has been horrified by TV pictures of dead, dying and wounded youngsters. As to British opinion, the evidence is that there was support for her view before she uttered a word; it can only have increased since she spoke.

Lady Thatcher's intervention this week has been magnificent. It has made us ask ourselves, 'where do I stand?'

Her intervention this week has been magnificent. It has forced us to ask ourselves, "where do I stand?" My answer is: "full of dread, trembling at unpredictable consequences, but in the end nervously on the side of giving the Moslems the means with which to defend themselves." For the former prime minister is right. We must not accept that no military counterforce can be deployed when a gang of warriors, acting in the name of national identity, commits every atrocity, every slaughter, in order to gain lebensraum on European soil. If we do, we are nothing.

It should be admitted at once that there is compromise and perhaps self-delusion in this stance just as there is falsity in the British government's pretence that a "tightening noose" of sanctions will force Serbia to accept the Vance-Owen plan. For there is no serious call anywhere – not in the White House, not in Lady Thatcher's message, certainly not in Downing Street – for the deployment of active British or French or American troops on the ground. We may give the Bosnian Muslims the arms they need and we may risk our pilots in air strikes, but that, rightly, is as far as we are prepared to go.

It is for this reason that we should consider the "do nothing" option before rejecting it. The case runs like this: short of a huge expenditure of outsiders' lives there is no power on earth that will prevent the Serbians from winning. There is no justification for piling up body-bags containing west European and American young men and women by taking one side in an ancient Balkan conflict. Such wars occur all over the world. They always have and always will. The greatest saving in human life will be achieved by standing aside and allowing the natural victors to achieve their ambitions in the swiftest possible manner.

That case was best put when hostilities first broke out. If there were to be injustices then, they would at least be the consequence of actions by the parties directly involved. The case was weakened when, at German insistence, Croatia was recognised. It was further diminished when, driven by public opinion, the arms embargo was imposed. That favoured Serbia, which commands the great bulk of the former Yugoslavian military force, plus equipment. The "do nothing" argument was finally destroyed by the "humanitarian aid" initiative, which assigned the task of assistant-in-chief to ethnic cleansing to the United Nations.

The initial American response, which was to regard the entire conflict as a European responsibility, allowed the European Community to blunder in, wreaking almost as much havoc with its unenforceable good intentions as the former Yugoslavs managed to create on their own. We outsiders are already involved. It is too late to pack up and go home.

This is not to say that Mr John Major's approach is, as Lady Thatcher implies, contemptible. The prime minister and the foreign secretary are painfully conscious of their responsibility for the safety of British troops. A parable retailed to me at second hand has Sir Peter Harding, the chief of the defence staff, warning the Cabinet of the logistical difficulties of sending troops to the Balkans. Mr Major is said to have leaned back and remarked "you have thrown a grenade in my lap." I cannot vouch for the anecdote, but its spirit reflects the prime minister's legitimate and understandable concerns.

Lady Thatcher would not have responded thus. So what? A petty squabble between the present and former leaders of the British Conservative party is insignificant when set against the screaming emergency in Bosnia. Mr Major is doing the job he is cut out to do. That does not embrace leadership of the Nato alliance or the western world. For such a task it is necessary to catch the public mood, or correct it. It is up to Mr Clinton to pick up the challenge, or deflect it with better arguments than have yet been put.

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Accomplices to Bosnia massacre

From L Hatfield.

Sir, At last a leading political figure has come out publicly saying what many of us feel ("Thatcher attacks Hurd on Bosnia", April 14). Since the Bosnian crisis began, more than a year ago, we have seen a totally pusillanimous lack of response from this government – one excuse after another to do nothing. Yet to do nothing in the face of the daily overwhelming evidence of genocide is to be accomplices to this massacre.

To deny people the means to defend themselves is utterly unbelievable. We have the means to do much, yet we do virtually nothing – and absolutely nothing that works. Picking up the wounded, maimed and tortured people of Bosnia after the Serbs have done their worst is not an adequate response. We have a moral duty to do more, much more. Seldom can there have been such a blindingly obvious case of right and wrong.

What has this government done? We have a silence from John Major, a vacuous smile that echoes his total lack of policy across the board and will in this matter. And we have a foreign secretary, Douglas Hurd, whose utterances are truly disgusting, and a "defence" secretary, Malcolm Rifkind, who sees scoring debating points as a substitute for action.

L Hatfield,
13 Armitage Court,
Sunninghill, Berkshire

Print claim

From Mr Colin Stanley.

Sir, Your attention-grabbing headline, "Printers win 3.7 per cent rise" (April 14), hides the true facts.

Since national negotiations in this industry broke down on February 26, our member companies have been free to effect their own settlements in line with their own level of affordability. After six weeks of campaigning by the GPMU print union, only 20 printing companies have "settled" at the level of the union's latest standard claim. There are several thousand other printing companies where no such settlement has been reached. Indeed, of those settlements recorded by the federation, more than two-thirds are below the level of the union's so-called "minimum terms of settlement".

Colin Stanley,
director general,
British Printing Industries Federation,
11 Bedford Row,
London WC1R 4DX

EBRD: striking a wrong chord and reluctant to lend

From Mr Peter Beddowes.

Sir, We have learned to live with many of the excesses of the "conspicuous consumption" society over the years, but the latest outbreak at the European Bank for Reconstruction and Development strikes a really inappropriate chord in these difficult times ("Spending at the European Bank", April 13). Such examples of apparent gross abuse of money supposedly destined for aid and re-development bring the whole process of international aid and development into question yet again.

It is particularly sickening for those of us who are conscientiously and carefully trying to help in the rebuilding of eastern Europe. For example, for the price of half a marble wall, Ashridge has provided in-depth management development for more than 200 top and senior managers from Czech and Slovakian companies and supported them in turning their visions into practical business plans and actions. The work is funded on a shoestring and thus, for example, can involve travel across Europe by road in order to save travel funds. Perhaps in future the bank might like to offer any spare seats in its executive jet to support development efforts like ours!

Peter Beddowes,
dean,
Ashridge Management College,
Berkhamsted, Herts HP4 1NS

From C R Peer and M Costello.

Sir, We refer to your timely article drawing attention to the low level of lending by the EBRD.

Many of our contacts in the Ukraine are convinced that the EBRD does not really wish to assist the Ukraine to develop its economy. Their conclusions are based on:

- The reluctance of the EBRD to allow this republic to sell the products where it has a real economic advantage – eg agricultural produce and steel – in the EC;
- The extreme difficulty in obtaining loans from EBRD.

We have already had meetings with the director of two Ukrainian factories which have had dealings with the EBRD and which feel that the bank has not given them any assistance. Indeed, in the case of the Black Sea Shipyard in Nikolaev, according to your article "Old ways dull the call to a new Ukraine" (January 5), the EBRD justified its refusal to make loans to the shipyard on the grounds that Mr Yuri Makarov, the yard's director general, did not wish to build oil tankers instead of aircraft carriers; this cannot be true as the yard was already building oil tankers of 45,000 tonne dead weight and Mr Makarov pointed this out to us on our subsequent visit to his yard.

It appears that the EBRD is insisting on unrealistic conditions in particular on total privatisation at breakneck speed, before agreeing to make loans. If it maintains its present inflexible and bureaucratic approach, we fear that its overheads will exceed its loans for many years to come.

C R Peer,
Maritime House,
M Costello,
Costello Trading Consultancy,
Suite C, Office 6,
The Priory,
Haywards Heath,
West Sussex RH16 3SU

GEC is also on British Rail's track

From Mr Douglas Gadd.

Sir, In his letter, "BR should use leasing finance to buy British" (April 13), Mr Hugh Bayley MP says that ABB is the only British Company that has the ability to produce modern aluminium bodied railway carriages.

This is incorrect. GEC Alsthom is currently building aluminium bodied trains for British Rail. These trains are being supplied to Network SouthEast where priority is being given to replacing old rolling stock.

GEC Alsthom does not itself manufacture aluminium body shells, which represent only about 10 per cent of the cost of the trains, preferring to source these from outside suppliers, including ABB's factory located in Mr Bayley's York constituency.

If GEC Alsthom secures orders for either InterCity or Network SouthEast trains, ABB will be given the opportunity to compete for the supply of body shells and other equipment. On the other hand, if British Rail asks ABB to supply new trains, GEC Alsthom will offer to supply traction drives and power supplies which ABB does not manufacture in the UK.

Like Mr Bayley, I am hopeful that British Rail will soon be allowed to acquire new rolling stock to help underpin the future of the British Rail transportation manufacturing industry.

Douglas Gadd,
GEC Alsthom,
PO Box 70,
Mill Road,
Rugby,
Warwickshire

'Guaranteed' means one thing and one thing only

From Mr David Butler.

Sir, In her article "Guarantees: are they worthless?" (Finance and the Family, April 3), Scheherazade Daneshkhu looked at building society "promises" and concluded that many were either worthless or meaningless.

The loose manner in which "guaranteed" has been scattered about financial advertising has also given us some concern here at National Savings. We pride ourselves that we pioneered non-risk, guaranteed rate products when we introduced National Savings certificates as far back as 1916. Ever since then we have used the word "guaranteed" to mean one thing and one thing only – interest rates fixed and unchangeable for a specified period of time.

This is how we apply it in relation not only to savings certificates, but also capital bonds, children's bonus bonds, yearly plan and the recently revived first option bond.

The use of the term to mean a rate differential above another variable rate account (usually paying very low interest) is, in our view, a debasement of the language of finance.

Its use in relation to products where the interest rate is fixed but the capital is not guaranteed is also disturbing. The various different meanings assigned to the term can only serve to confuse and may actually mislead savers, who may be bewildered enough already as the institutions play musical chairs with their products.

National Savings will continue to use the term "guaranteed" in the single sense of rates which are fixed for at least a year. We believe that other institutions would be doing a service to the public if they were to standardise their own usage to mean fixed rates offered on capitally secure products for a set period of time.

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Friday April 16 1993

G7 response to Yeltsin

IF NOTHING else, the two-day meeting of finance and foreign ministers of the group of seven industrial countries in Tokyo has underlined the west's interest in Russian reform. But the G7 can only propose. It now must wait to see how Mr Yeltsin fares in the referendum due on April 25. Unhappily, even this seems unlikely to resolve doubts about Russia's willingness and ability to implement radical reform.

The immediate question, however, is how much of the announced offer of $43bn is new. The answer is that there is less to it than meets the eye, since it consists mainly of known commitments from institutions like the World Bank and the International Monetary Fund.

One relatively new ingredient is an innovative $3bn IMF loan facility to help Russia start to curb inflation and the budget deficit. There will also be a $300m small business development fund mainly financed by the European Bank for Reconstruction and Development. Meanwhile, the US, Japan and the UK have announced what seem to be additional bilateral loans of $4bn. Nevertheless, most elements were well known. Some, notably the $15bn in debt relief agreed earlier this month, will add no new resources, since Russia was failing to service its debts in any case.

The second question is whether offers of assistance are in the right form. In a recent report, the United Nations Economic Commission for Europe called on the G7 to commit itself to a long-term reform programme on the scale of the post-war Marshall plan. "One of the worst outcomes," it argued, "would be ... a list of short-term measures hastily put together with a maximum of publicity."

It is far from clear that the G7 has avoided that outcome. But it has committed itself so far that it would have to go further, should that be justified by a serious Russian effort. The imaginative American proposal for a $4bn fund to promote privatisation of large state-run enterprises may yet be agreed in coming months.

The fundamental question, however, is whether there will be a Russian programme to support. The problem is partly that there is limited agreement in Russia on either the ends or the modalities of reform. But it is also that the constitution is perfectly designed to prevent the emergence of coherent structures of authority, both within Moscow and, as important, between Moscow and the rest of this vast country.

The G7 has at least provided the moral support for Mr Yeltsin that he wanted. The tragedy is that the G7 is at last showing serious commitment, as Russia sinks into ever greater disarray. Mr Fyodorov, the deputy prime minister, notes that Russia may remain unready for months. In the meantime, the G7 should not forget that some other countries of eastern Europe and the former Soviet Union deserve assistance no less, although they too would be greatly helped by a successful Russian reform.

Market power

LAST NOVEMBER'S green paper on reforming the law on abuse of market power was welcome evidence of the UK government's intention to sharpen up competition policy. There were compelling reasons for change. The government was committed to reforming restrictive practices legislation in line with EC law. Leaving the law on abuse of market power unchanged would have been inherently contradictory – and would have left UK competition policy more obviously at odds with the rest of the Community than at present.

There was also genuine concern that the present UK system was not working. It was weak on deterrence as well as slow and cumbersome. What was needed, it seemed, was what already existed at EC level: clear prohibitions, backed by substantial fines, full rights for third party redress, enforced by an agency with strong investigatory powers.

The government's announcement that it intends just to tinker with the present legislation is therefore a disappointment. It has been persuaded by industry that the costs of complying with a prohibition-based system, together with the uncertainty it would create, would outweigh any benefits to the consumer.

There is some merit to the uncertainty argument. The handful of European decisions and court judgments on abuse of market power underline the difficulty in drawing lessons from the application of the EC's prohibition regime. Industry is right to be concerned about the prospect of being fined for behaviour which at the time it was undertaken was believed to be legal. But the argument on the cost of compliance has been overdone. Most companies of a size to be caught by abuse of market power laws are active in Europe, and have already borne the costs of introducing sophisticated competition compliance programmes.

The government's decision will leave the UK increasingly isolated in Europe. Brussels has recently indicated that in future it intends to leave run-of-the-mill competition cases to national authorities. Its condition for this exercise in subsidiarity is that EC states should adopt competition regimes based on EC rules. Most member states have already done so. Britain runs the risk of being the odd one out.

This may not matter in the short term, but in the long run could affect its ability to influence other areas of Community competition policy. Along with Germany and France, Britain is used to making itself heard in Brussels on such matters as EC merger policy. That will be harder to do if it is out on a limb.

Meanwhile, if the government's present approach is to be effective, the Office of Fair Trading will have to take a more pro-active role in rooting out abuses of market power. For that, it will require more than the extra powers which the government seems for the moment inclined to grant.

Italy's big bang

FOR SEVERAL months now, next Sunday – when Italians are called on to vote in eight referendums – has been virtually the only fixed point in a rapidly disintegrating Italian political universe. Not surprisingly, therefore, politicians and the media have seized on the occasion as the starting point of a new era. It is no good imagining, however, that the following days will reveal a ready-furnished political landscape. Whatever the voting figures, the scene next week will resemble the scene this week. The parties and the men who dominated Italian politics since the second world war have been demolished. New ones have yet to emerge.

Most of the eight questions on the ballot papers are best described as populist-nihilist.

The one that comes nearest to expressing the popular mood is that which seeks to end state subsidies to political parties – and may thereby drive them to rely even more in future on unorthodox sources of funds. But the one that is seen as providing the key to Italy's political future is that which would replace, for two-thirds of the seats in the upper house, the traditional party-list proportional electoral system with a British-style majority one.

All parties have now rallied to this proposal, which in the present atmosphere may be enough to sink it. But if it does pass with a thumping majority, as expected, it is assumed that parliament will feel obliged to enact the same system for the lower house, too, and that new elections would then soon be held.

The effect of such a change in "normal" times would be to give an overall majority to the largest party – until now, always the Christian Democrats. In these abnormal times the outcome is much harder to predict, but one effect would almost certainly be to increase the strength of parties whose support is regionally concentrated, such as the Lombard League, thereby increasing the danger that Italy will fragment.

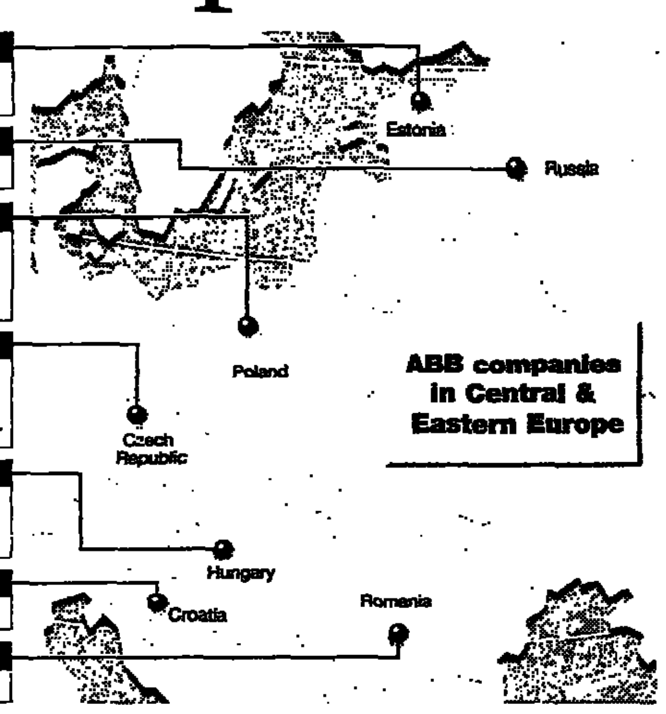
Whatever the electoral system, democratic politics require strong parties with clear programmes; and effective government will probably require constitutional as well as electoral reform. An upheaval as revolutionary as that now sweeping through Italian politics calls for an elected assembly with a mandate to revise the constitution, while day-to-day affairs are managed by a broad-based caretaker government under a non-party figure commanding general respect. Mr Giuliano Amato, the current prime minister, can hardly be that figure, though he has done a remarkable job considering the circumstances.

Meanwhile the investigation into corruption, and into the even worse allegations now surfacing against veteran political leaders, must be carried through. When the full truth is known there may be a case for clemency. But the Italian people would be rightly intolerant of further attempts to keep any part of the truth a secret from them.

Tony Jackson examines the challenges facing ABB's engineering ventures in the former communist bloc

Pioneer looks east for profit

ESTONIA	Employees: 30
ABB Harju Elekter	Installation
ABB Fläkt Estonia	Environment
RUSSIA	**Employees: 600**
Several joint ventures	
POLAND	**Employees: 8,400**
ABB Zamech	Turbines
ABB Dolmel	Generators
Dolmel Drives	Drives
ABB Elta	Transformers
CZECH REPUBLIC	**Employees: 6,600**
ABB Chemoproject	Process engineering
ABB ZPA	Protection relays
ABB PBS	Boilers & turbines
ABB EJF	Medium voltage switchgear
HUNGARY	**Employees: 700**
ABB Lang	Turbines
ABB Szerviz	Service
ABB Energir	Network control
CROATIA	**Employees: 450**
ABB Power Plant	Turbines
ROMANIA	**Employees: 1,700**
Energoreparatii	Power plant service



Four years after the fall of the Berlin wall, western industry has still not quite made up its mind about eastern Europe. The opportunities are plainly there. But, as most of the pioneers have found, so are the problems.

An excellent case study is provided by one of the most successful of these pioneers, the Swiss-Swedish electrical engineer Asea Brown Boveri. ABB now controls about 20 companies across eastern Europe, mostly former state monopolies. They make money, if not yet enough to cover the cost of buying them. They employ some 20,000 people in the region. In five years, ABB aims to double that.

Talking to those employees today produces a striking story of a clash of cultures: one driven by production, the other by marketing and finance. In the old socialist system, says the head of ABB's Hungarian operation, "people had no feeling for money". But the system also produced a proud tradition of engineering. ABB's new workers were mostly eager to embrace western techniques of management, if only to secure their jobs in a capitalist world. When it came to their technical skills, they were less ready to be pushed around.

The German head of ABB Lummus Chemoprojekt, an engineering firm based in the Czech city of Brno, says: "You need to be sensitive to what people have done for the past 25 years, which is to be good engineers." The second in command at ABB's Prague head office, an Americanised Czech, puts it more bluntly: "You can't just say 'wake up guys, everything you've been doing is crap; let's start from the beginning.'"

But the implied antithesis between eastern engineering skill and western business methods is essentially false. ABB's western managers agree in their respect for the technical competence produced by the old system. But when it came to advanced technology, ABB's new eastern companies had nothing to offer. Even the turbines and switchgear they turned out were mostly old-style ABB products made under licences signed in the old communist days.

Updating that technology took time. "From the beginning", says a director of ABB's Polish business, "our approach was to transfer the software first, the hardware second. We began with a lot of training, for instance in marketing and sales. Then we started the technological transfer. You don't give a kid an expensive toy before he knows how to play with it."

There was a similar gap in factory management. A Polish manager at ABB's huge Zamech plant, at Elblag in northern Poland, recalls the old days. "We were extremely centralised here. We had one manufacturing plant for everything, with one manufacturing director in charge. Every product was designed in one central design office: turbines, ship's propellers, gearboxes. In one process office, they prepared production sheets for marine products and turbines. We had central purchasing. We had huge overheads. It was a stupid way of doing things."

By another quirk of the system, Zamech had to take raw materials in huge bulk simply to ensure supply – "minimum deliveries of 10 tonnes of a raw material, even when we needed only 200kg", the manager says. Since ABB took over in 1991, inventories have been slashed from over 200 days' sales to less than 60. The factory area, meanwhile, has been halved for the same level of output.

The ABB revolution involved other sensitivities. Mr Pavel Olechnowicz, chief executive of the Zamech plant, says: "We can change at the top quickly, and we can then educate the shop floor through training programmes. The big problem is those in the middle."

Significantly, Mr Olechnowicz comes new to the job. Shortly before the ABB takeover, the Zamech workers' council decided to get rid of the old chief executive and elect a new one. Mr Olechnowicz was plucked from the humble job of foundry manager to run the whole plant. "I find it easier to change my mentality than some of my colleagues," he says. "I had limited experience of the old system."

Others are less fortunate. Across ABB's eastern empire, one meets senior managers who are clearly struggling to adjust. These men had spent their lives working their way to the top of huge organisations, responsible not just for output but for social life and the surrounding infrastructure. They are now mere production managers, subject to whippersnappers at head office who are young enough to master the new skills of finance, marketing and the English language.

But at least the whippersnappers are mostly local in origin. The alternative, imposing western management, seems more problematic again. One of ABB's Hungarian managers spent some months working for a Hungarian-Italian joint venture, and did not relish the experience. "There were 40 Italians in charge, with 40 interpreters", he says. "No decision could be taken without at least two Italian signatures. They didn't trust their own staff." He draws a blunt conclusion. "Foreign managers don't understand the Hungarian way of life. The workers don't accept them."

Local sensibilities can be offended in other ways. An example much quoted in Hungary is the 1990 takeover of the lighting manufacturer Tungsram by General Electric of the US. The deal proved disastrous, with GE sinking $500m in a venture which is still heavily loss-making. More important for GE's local reputation, it was also obliged to axe 18,000 jobs from a workforce of 28,000.

ABB has proved more adroit. Its method was to negotiate in advance precisely how much of the business it wanted to take on. The ancillary services, down to the works canteen, the barber shop or the haulage business, were left with the state or hived off to management buyouts. Manufacturing employees, from top management down, were picked individually by interview. As an ABB executive puts it, "we don't take the lazy ones, or the ones who are set in their ways. We leave them to the state".

It might be asked what ABB gets in return for all this effort. That involves a strategic question which goes to the heart of the whole issue of investment in eastern Europe. Is ABB there to develop the local market, or to switch production from its high-cost plants in the west?

Mr David Hunter, the American president of ABB's Polish operation, says: "Originally, much of the idea was that Poland could become the Taiwan of Europe. That's still part of ABB's thinking. But as we get smarter about the Polish market, we see the potential here."

What Mr Hunter has in mind is the rebuilding of Poland's infrastructure, its power industry in particular. "In power generation, if you include the modernisation of obsolete plant and cleaning up the rest, there's 10 or 20 years of business."

Who will fund that is another question. The problem, Mr Hunter says, is Russia. "There's a big black hole to the east of us, and if nothing is done about it that could be catastrophic. In that context, Poland has a very low priority. The soft loans from the west will go clear over our heads."

Ultimately, ABB clearly still hopes to switch some production to the east. The process will be slow. With the power generation industry still in recession worldwide and ABB's western plants suffering from idle capacity, now is not the time to make matters worse.

Despite that, it is hard not to be impressed by the high spirits of ABB's eastern management. They have seen the western future, and it works. ABB's western competitors might also ponder a simple fact. ABB Zamech made a net profit margin in 1991-92 – on ABB's accounting principles – of some 9 per cent on about $100m of turnover. Next year's margin is expected to be higher. If that can be achieved when the region is in chaotic transition, ABB could be on to something.

A supermarket's detergent is leaving the market leaders on the shelf, writes **Guy de Jonquières**

Sainsbury cleans up

In few consumer markets is the battle for shelf space as ferocious as in household detergents, and in fewer still are the protagonists as powerful as Procter & Gamble and Unilever. The two companies dominate the business in most countries except Japan and spend huge sums on research, product development and marketing.

But recently an upstart has contested their supremacy in Britain's £800m-a-year laundry detergents market, where their combined share of more than 80 per cent is among the highest in the world.

The success of the new arrival, Novon, not only challenges recent trends in the detergents industry; if its initial momentum is sustained, it could herald a serious longer-term threat to the market power of P&G and Unilever.

The Novon range was launched last autumn, not by a manufacturer but by J. Sainsbury, the grocery chain, which sells a fifth of all detergents bought in Britain.

Sainsbury says Novon, which undercuts prices of established brands by as much as 25 per cent, now accounts for more than a quarter of its total laundry detergent sales by volume, a fifth of basic powders and 40 per cent of concentrated powders and liquids.

Own-label products are common in many grocery lines and provide two-thirds of Sainsbury's total sales. However, they have made few inroads until now in detergents, partly because P&G and Unilever have invested heavily to support their brands. Last year, they spent about £80m on advertising in Britain.

Since the mid-1980s the two companies have further raised the competitive stakes through sharply increased investment in technology and new products. Persil, Unilever's flagship brand, which was available in only two versions a decade ago, now comes in 25.

Sainsbury knew it was taking on daunting odds. It had already launched an unsuccessful own-label line, Wash and Care, in the late 1980s. It tried again, it says, because it was keen to widen the chain's strong brand image beyond food sales – and because of the juicy profit margins available on detergents.

This time, the company left little to chance. Novon is its most ambitious product development and involved unusually extensive market research. However, the 18-month programme cost less than £2m, a pittance by the standards of P&G and Unilever.

Sainsbury began by analysing why Wash and Care had failed and concluded it had underestimated the importance of product features such as particle size, colour and fragrance. These were given much closer attention in the new range. Novon was chosen from a short-list of 20 names drawn up by an outside agency, while a design consultancy was brought in to develop packaging intended to evoke the imagery of P&G's Ariel and Unilever's Persil.

To ensure uniform quality and regular delivery, production of Novon was entrusted to a single manufacturer – believed to be McBride, a BP subsidiary.

Though backed by less than £200,000 in newspaper advertising to date, Novon has been strongly promoted in Sainsbury stores, where it is displayed separately from competing products.

Publicly, P&G and Unilever profess not to be worried by Novon – though both have recently responded with leaflet campaigns warning against "cheap imitations". Privately, they have good reason to be concerned.

Novon's success shows that, for all the companies' recent emphasis on high-technology and rapid product innovation as competitive weapons, the detergent market remains open to new entrants with slender research and development budgets.

"Though P&G and Unilever may obtain an advantage from a new idea for a short period, everyone will be working on it. These are areas where patenting is difficult," says Mr Michael Rosen, Sainsbury's director of non-foods and Novon's main sponsor. "Some of Unilever's raw materials suppliers are independent, so we can get supplies."

An even more delicate problem for the two companies is how to gauge their commercial response. They cannot afford to unleash the full force of their market power against Sainsbury, because it is no ordinary competitor – it is also their biggest and most powerful UK customer. "It is obviously a complex relationship to manage," admits Mr Andrew Seth, managing director of Lever Brothers, Unilever's British detergents subsidiary.

The growing power of supermarkets generally has obliged P&G and Unilever to tone down their formerly high-handed approach to the retail trade. These days they, and other big manufacturers, talk of the need for constructive co-operation and a relationship of equals.

However, Mr Rosen does not sound like a man in a mood to compromise. There are already too many detergent brands on supermarket shelves, he says, and manufacturers are "storing up a lot of trouble for themselves" by flooding the market with new products. "Someone will have to decide on storage space," he says, adding pointedly: "Retailers are making decisions today that they would not have felt strong or courageous enough to make five years ago."

Novon, of course, has increased the squeeze on shelf space, while its sales success promises to strengthen Sainsbury's bargaining power with P&G and Unilever by countering the power of their expensively supported brands.

For the moment, the big detergent manufacturers are watching and waiting to see whether their precocious new rival stays the course. If it does – and if its example is emulated by other supermarkets in the UK and the rest of Europe – P&G and Unilever may have to fight much harder to remain the consumer's choice.

OBSERVER

Flagging enthusiasm

■ Reconciliation is in the air in the Anglo-French fishing dispute. French fishermen have sent the Royal Navy a flag to replace the one they burned.

Observer can exclusively reveal that Admiral Sir Benjamin Bathurst, the First Sea Lord, has been sent a new Union Jack by Jean Le Boucher, president of the Basse-Normandie regional fisheries committee.

The original from the patrol craft HMS Blazer, mistakenly reported at the time to be a White Ensign, was set alight during a protest in Cherbourg marina on March 28.

The new one will be given to Blazer's commander, who is expected to frame it for display rather than assign it to the flag locker. However, sensitivities are still raw enough for the Navy to have decided against publicising the French gesture. Gotcha!-style headlines might just set tempers ablaze again.

Up to the job

■ Yesterday's annual meeting of British Petroleum and the turn-out of the company's top brass raises a mischievous question. Does BP's new board contain both Britain's tallest Footsie company director (Lord Ashburton, the chairman) and its shortest (John Browne, managing director of exploration)?

You wouldn't know it from BP's annual report; careful picture cropping has been a great leveller. But Observer is certain that the BP board is living testimony to the fact that height is no guide to ability.

Designer meals?

■ Why does Design Minister Baroness Denton have a camping stove and pull-along frog in her office? This tempting question opens a DTI press release which crossed Observer's desk yesterday.

Maybe the baroness just never knows when she's going to have to cook lunch.

Pique time?

■ Judging by Lady Thatcher's performance this week, the former prime minister's ability to catch the public mood is as uncanny as ever. But is her high-level access to world leaders just as assured?

Certainly, she can still pull the big crowds on the international lecture circuit, and her schedule in Warsaw, where she opens one of her Foundation's offices tomorrow, sounds as hectic as ever. But there is some surprise that President Lech Walesa is not on the Thatcher itinerary.

True, the Polish president tends to go home to Gdansk at weekends. But he still likes to receive foreign big-wigs at his shipyard in order to underline Poland's industrial possibilities. Indeed, Lady T popped in there during her 1988 visit, much to the consternation of the ruling communists.

But it's understood that Walesa is too busy to see the Iron Lady this time round. A sign that she – or Walesa – are past their prime?

'Oh look – it's a little green shoot'

Scottish clones

■ Giving Lord Younger the chairmanship of the four main investment trusts in the Murray Johnstone stable may be good for Scotland Inc, but what message does it send to small shareholders?

Lord Younger is a decent chap. A former secretary of state for Scotland and Tory party big-wig, he is starting to make his mark in business as chairman of the Royal Bank of Scotland. Since quitting politics, he has been acquiring a portfolio, such as directorships of Scottish Equitable Life and Murray Johnstone Holdings itself, that one has come to expect of Scotland's establishment financiers.

Murray Johnstone, controlled by the four trusts Lord Younger chairs, does not put its fund managers on the boards of the trusts it manages. So the non-execs can theoretically fire the managers. True, the arguments are tangled because firing the managers would damage the trust's investment in the management company.

Even so, having the same chairman and several of the same non-execs sitting on the different trust boards as well as the parent of the fund manager, seems a trifle incestuous especially when investment trusts are trying to sell themselves to small shareholders as independent companies.

One investment trust chairmanship should have been quite enough for Lord Younger. Or is it a case of the more the murrayer?

Unsung hero

■ It is hard to imagine a fund manager as a heroic figure, but Robert Cottrell, who used to pen this column, has fingered one in his book on The End of Hong Kong.

John Greenwood, chief economist of the GT fund management group, gets a special mention in dispatches for his sterling work during a particularly nasty run on the Hong Kong dollar ten years ago. Local shops had begun posting signs that they would accept only US dollars and nobody had much of a clue how to solve the crisis.

No one, that is, apart from Greenwood who just happened to have published a paper on "How to rescue the Hong Kong dollar", which he had already circulated to economists like Milton Friedman and Alan Walters. One Saturday afternoon, at the height of the crisis, he was invited to the Hong Kong monetary affairs department to discuss his plan. Greenwood came away thinking that he hadn't convinced the officials of his case.

However, a few days later HK followed his advice, pegged its exchange rate, and the HK government won all the credit. "For my money Greenwood deserved a knighthood," says Cottrell, who is already researching his next tome, a biography of President Mitterrand.

Marble halls

■ From the vaults of an anonymous commercial bank comes this topical snippet:

"Knock, knock"
"Who's there?"
"Attali"
"Attali over the top".

FINANCIAL TIMES
Friday April 16 1993

Government embarks on high-risk strategy to outflank Tory Euro-sceptics

UK aims to speed up treaty vote

By Philip Stephens, Political Editor

THE British government last night embarked on a high-risk strategy to outflank Tory opponents of the Maastricht treaty by meeting head-on a Labour challenge for an explicit vote by MPs on Britain's exclusion of the social chapter.

Mr John Major, the UK prime minister, signalled a new effort to speed up the pace of the legislation when he agreed to an opposition demand to make final ratification contingent on a separate debate on the opt-out from its social provisions.

But amid chaotic scenes in the House of Commons, the decision was immediately followed by an embarrassing, if temporary, retreat by the government on the bill's timetable.

The opposition failed to reverse a decision by Mr Michael Morris, the deputy speaker, to block a vote on an earlier amendment covering the social chapter.

Under the Byzantine procedures of Westminster, the second proposed change to the bill - known as amendment 27 - is seen by Labour and by Tory Euro-sceptics as their strongest hope of derailing ratification.

Labour responded to Mr Morris's ruling with a tactical device that forced the government to curtail debate on the legislation until next week. It said the government's failure to muster enough votes against the move demonstrated it was no longer in control of the Commons.

Mr Major's decision not to contest the first Labour amendment – known as new clause 75 – means that MPs will have the opportunity to vote later in the summer on whether they want to preserve the social chapter opt-out. That vote, though, will come only after the Maastricht bill has passed all its parliamentary hurdles and received royal assent.

The timing left ministers free to float the possibility – fiercely rejected by the opposition parties – that at this late stage in the ratification process the government might simply ignore a defeat and press on regardless.

Senior ministers said their aim in accepting the new clause 75 was to "disentangle" the social chapter from the wider issue of whether Britain should ratify Maastricht. They admitted that the underlying strategy was to detach the Tory Euro-sceptics from their alliance with the opposition parties.

The judgment in Downing Street is that even the strongest opponents of the treaty on the Tory back benches will not be able to back inclusion of the social chapter once the rest of the treaty has been enacted into law.

Mr Major's aides refused to speculate on what course the government would take if the Euro-sceptics did combine with the opposition to include the social chapter.

Senior ministers voiced confidence that the present committee stage of legislation would now be completed within a matter of weeks.

The government would then be free to start its shorter final stage in the Commons - the so-called report and third reading - immediately after the Danish referendum next month. Royal assent would follow before the summer recess at the end of July.

THE LEX COLUMN

Rocco in a hard place

If business is as bad as Forte claims, it must regret that the Grosvenor House is unlikely to host another Christmas party for the EBRD this year. By and large it is getting no benefit from recovery and almost all the trading profit improvement during the second half reflected cost savings. That gives a certain intellectual justification for cutting the dividend. The practical reason is even more compelling. Forte's balance sheet looks strained despite the Gardner Merchant sale. At some stage it will still need a rights issue.

With the dividend cut to a level that should allow room for growth as earnings recover, Forte will have a more encouraging story to tell when the moment for the rights issue eventually comes. It has also used the Gardner Merchant disposal profits to shield a kitchen sink approach to exceptional charges. That will boost the chances of an earnings recovery whatever happens to the economy. Similarly, the rigour applied to property valuations will maximise the disposal profit allowable under the new accounting rules from any hotels that are sold.

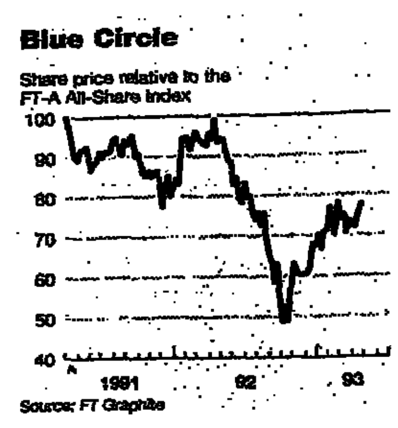
In the midst of this, Mr Rocco Forte looks surprisingly cheerful. Perhaps the new non-executive directors have strengthened his determination to break with the traditions established by his father, but that does not give him a free hand with strategy. Talk of further expansion in Europe is muted now, and the emphasis is on further disposals, starting with the loss-making Travelodge hotels. All in all, the company is talking of eventual disposals worth £500m to £600m. That is a measure of the extent to which Forte must shrink before it can grow again.

Scrip dividends

Forte was not alone in slipping in an enhanced scrip dividend yesterday. Having mulled the option since its results last month, Redland did the same. The two cases are different, but they do suggest the fashion is becoming worryingly popular. One way of looking at Forte's decision, for example, is that, far from just cutting its dividend, it is trying to avoid paying one in cash at all. A feature of the scheme is that the requirements of those shareholders who do want cash are met by the placement of fresh shares in the market.

In Forte's case, the decision looks suspiciously like a response to its cash-flow constraints. The company points to the contribution the savings

FT-SE Index: 2839.7 (-2.4)



will make to finance its acquisition of the Relais motorway service areas in France on which it expects a return of 15 per cent. But it had acquired those anyway last year.

Redland's geographically uneven earnings flow has given it an acute ACT problem. The enhanced scrip dividend reduces its tax obligations and transfers financial benefit from the government to shareholders. From that perspective the move will enhance earnings in the short run. Even so, one wonders whether, after all the shares it issued to pay for Steetley, Redland really deserves the extra capital. It is a pity the ACT system has encouraged the market to forget the discipline inherent in the need to pay cash dividends.

Building materials

An attempt by building materials companies to force through higher prices is a sure sign of spring. Having been disappointed so often in the past, yesterday's aggressive noises from Blue Circle and RMC might seem like hot air. Yet both have a fair chance of making higher prices stick this time. Capacity has been taken out of both cement and concrete – witness Blue Circle's £62m restructuring charge. RMC barely broke even in UK concrete last year, so it can hardly stand by and watch prices erode further. RMC is also Blue Circle's biggest customer: that both companies are talking tough suggests a degree of common purpose.

That does not guarantee an immediate profits recovery for either company. Volumes are likely to be lower this year. Even if the housing market comes back from the dead, commercial building remains in the doldrums. By reducing capacity and fixed costs, Blue Circle may be better geared to price increases, but the full benefits of restructuring will not flow through until 1994. RMC may have to live with undisciplined competition in the fragmented concrete market.

With a stronger balance sheet, a covered dividend and profitable German operations, though, RMC is in better shape to live with another disappointment. Housing the influx of immigrants into Germany is big business for concrete producers even while the wider economy is sliding. In contrast Blue Circle's acquisition of French boiler-maker Celsius looks badly-timed. Yesterday's uncovered payout and asset revaluation eat into a balance sheet damaged by goodwill write-offs. A 6 per cent yield on the shares should provide some support, but Blue Circle needs a smart recovery in UK profits to justify the dividend.

Laura Ashley

Laura Ashley's new company doctors are clearly learning retailing on the job. The grievous self-inflicted wound in the US – where the board started surgery before properly diagnosing the problem – shows that clearly enough. The £6.9m loss is all the more painful because it could have been avoided if the working capital problems of the US shops had been properly understood. It is also a shock that the company's internal controls were so poor. The main board seems to have had no idea that the US distribution system had been a complete shambles for years.

At least the problem is now under control. Mr Jim Maxmin, the new chief executive, is taking some sensible basic steps to improve the performance of the stores. In particular, the move away from discounting towards managing the brand is surely right. Despite the company's best efforts, the Laura Ashley image has proved resilient. Many of its remaining problems can be tackled by managers rather than retailing geniuses.

If the retailing operations need only a firm hand and common sense, the future of the manufacturing operations is more murky. Indeed, investors might be more prepared to back the company's recovery story with hard cash if they had a clearer view of what was going on in that area. The hope is that Mr Maxmin is in a position to tell them.

S Africa counts the cost after protest strike

By Patti Waldmeir in Johannesburg

SOUTH AFRICA was yesterday counting the political and economic cost of Wednesday's national protest strike which left 17 people dead.

Yesterday an angry mob attacked two whites in the black homeland of Transkei less than 48 hours after the slaying of two white South African tourists, police said.

The death toll from the protest rose to 17 after 11 people were massacred in Natal province following a commemoration rally for slain African National Congress leader Chris Hani.

However, it was not clear how closely the deaths were related to the ANC protest, given that such massacres have become a regular occurrence in Natal.

There were also violent incidents in Port Elizabeth, Cape Town and on the East Rand near Johannesburg. The black township of Soweto was reported quiet.

Further mass protests are planned for tomorrow, Sunday and Monday, raising the risk of further violence.

The ANC has called a national protest strike for Monday, the day Mr Hani will be buried.

Yesterday it appeared the political impact of the Hani assassination might prove positive, as the South African government announced it would drop crucial preconditions to the establishment of the first phase of a multiracial interim government, the Transitional Executive Council.

The council would include representatives of all the main parties, and would have sub-councils to advise and monitor government actions in areas such as law and order, defence, finance and foreign affairs.

Mr Roelf Meyer, the ANC's chief negotiator, said the government would no longer insist that the 26 parties to the multi-party negotiating forum agree a transitional constitution before this council could be formed. This removes an obstacle to formation of the Council, which Mr Meyer said could be agreed by May.

But he cautioned that some parties, like the Inkatha Freedom party, might object, causing further delays. Inkatha believes there should be no extended transition to full democracy.

Meanwhile, the US state department advised Americans to stay away from black homelands and townships in South Africa. Transkei leader Major-General Bantu Holomisa said armed police were being sent to protect tourists in the homeland's popular coastal resorts, but South Africans were advised to avoid Transkei.

Ms Michelle Cohen, executive director of the US chamber of commerce, said she knew of businessmen, representing US companies which had stuck with South Africa through sanctions, curtailing visits to the country because of the turmoil.

Waigel to question Attali on EBRD spending allegations

By Charles Leadbeater in Tokyo

MR THEO WAIGEL, the German finance minister, who is chairman of the European Bank for Reconstruction and Development, will question Mr Jacques Attali, the bank's president, in the next few days over allegations of excessive spending at the bank.

Mr Waigel will raise the concerns over the bank's expenditure during a meeting with Mr Attali in Bonn before next week's annual meeting of the bank's governors.

The controversy over the bank follows the disclosure that it has spent more than £200m ($310m) in the past two years on fitting out its London offices, travel for executives, entertainment and other running costs. During that period the bank has disbursed loans worth about £125m.

Mr Waigel, referring to questions about the bank's spending, said: "These may be points we will discuss at next week's meeting. I will do my duty as chairman of the bank to test the validity of these allegations."

Mr Waigel, who is in Tokyo for the emergency meeting of the Group of Seven foreign and finance ministers, said he had asked the bank for a report on allegations of excessive spending on private jets to take Mr Attali around Europe, the fitting out of the bank's London headquarters and its Christmas party in the ballroom of a London hotel.

Mr Waigel said: "If we find any unjustified expenditure we will draw the appropriate consequences."

The EBRD last night gave a breakdown of the money it spent on its previous headquarters in Leadenhall Street, London, which it occupied for 20 months until last December. Of £18m, £11.4m was paid in rent and £6.6m on fitting out the offices. It said half the £6.6m was spent on furniture and equipment, which it is now using at its new headquarters in Broadgate in the City of London. It added that 1200 people attended its Christmas party, which cost £52,000, so the cost per head was £40.

It is understood Britain, the US and Canada have led criticism of Mr Attali's management of the bank. The US has criticised in particular the slow rate at which the bank has extended loans.

Mr Norman Lamont, British chancellor of the exchequer and EBRD board member, reiterated his view that the bank should answer legitimate questions about how it had been run.

However, he stressed the British government had no regrets about the assistance it had given the bank to set up its headquarters in London.

The G7 meeting in Tokyo has given the EBRD a central role in developing small and medium sized businesses. The bank is to run a $300m small business development fund which will include paving the way for the creation of a Russian bank for small businesses.

East European reaction, Page 2

Competition chief seeks EC phone liberalisation by 1998

By Andrew Hill in Brussels

THE European Community should open all international and domestic telephone calls to full competition by 1998, according to one of the two EC commissioners responsible for telecommunications liberalisation.

Mr Karel Van Miert, competition commissioner, told post and telecoms representatives in Brussels yesterday that he favoured the controversial combination of a set target and short timetable for full telecoms liberalisation.

He ruled out an "immediate big bang" to open up the telecoms market, but said a longer transition period – for example, up to the end of this century – "would restrict the development of the single market" and impede technical advances.

Mr Van Miert and Mr Martin Bangemann, the industry commissioner, are expected to submit formal proposals to their Commission colleagues within two weeks in the hope that EC telecoms ministers will discuss the Commission plans at their meeting on May 10.

If approved, the plans will provoke a long and possibly acrimonious debate between member states, some of which are fiercely protective of their national telephone monopolies.

France, Belgium and Germany, for example, think it will be difficult to achieve full liberalisation within five years, while Britain and Denmark have already made moves to open their markets to competition.

Mr Van Miert tried to soothe potential opposition by making clear that liberalisation had to be accompanied by safeguards. "What I am aiming for is not a change from the current highly regulated monopolies based on member states to an unbridled free-for-all," he explained.

He ruled out an intermediate stage during which only telephone calls between EC member states would be opened to competition.

Liberalisation would give all potential operators, including those from outside the EC, access to European telephone networks. However, Mr Van Miert hinted that the Commission should press for equal access to third-country markets in return.

According to Mr Van Miert, the Community should first reinforce existing EC measures which open up specialised telecoms services representing 20 per cent of the market, before preparing full liberalisation of the remaining 80 per cent.

He said the Community would have to establish a framework of network access and interconnection charges for new operators, and define conditions for mutual recognition of telecoms licences.

Liberalisation plans will also have to take into account the needs of poorer EC countries, in which telephone networks need to be improved.

The commissioner said member states would also have to consider changes to the regulatory framework and the possibility of new operators being allowed to build rival networks.

G7 backs Yeltsin's reforms

Continued from Page 1

isters, said Russia was satisfied with the outcome.

"This is a big step forward in our close co-operation with major countries. This year will mark a real breakthrough for international assistance for our reforms," Mr Fyodorov said.

The Tokyo talks had created a new framework for international financial assistance to Russia which would deliver visible and practical benefits to ordinary Russian citizens, he said.

"Should the force of reform led by President Yeltsin be thwarted we would face increased instability, the loss of large potential markets for our business and the necessity to invest dollars in defence and not in the urgent domestic needs of our people."

During bilateral meetings with his counterparts Mr Andrei Kozyrev, the Russian foreign minister was urged to co-operate fully with international efforts to end the war in Bosnia and not to stand in the way of tougher sanctions against Serbia.

Mr Kozyrev said he understood the case for tougher sanctions but stopped short of guaranteeing that Russia would co-operate. He asked for a UN vote on sanctions against Serbia to be delayed until after the Russian referendum on April 25.

AT&T move

Continued from Page 1

AT&T said yesterday that it had been urging the FCC and the Clinton administration to withhold approval of BT's application until US carriers had comparable access to the British market. It said once equivalent access had been achieved, it would support BT's request.

AT&T and BT both plan to become one of a small number of global "supercarriers" by the turn of the century and reciprocal access to each others' markets is a key part of those plans.

It is thought that the UK trade and industry secretary will broadly approve AT&T's request.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	11	52	Frankfurt	F	16	61	Majorca	T	14	57	Oporto	F	14	57	Tenerife	F	20	68
				Brussels	C	9	48	Geneva	T	14	57	Malaga	F	18	64	Oslo	S	10	50	Tokyo	S	20	68
				Budapest	C	11	52	Gibraltar	F	17	63	Malta	S	19	66	Paris	C	9	48	Toronto †	F	7	45
Ajaccio	F	15	59	Buenos Aires	R	25	77	Glasgow	F	11	52	Manila	C	34	93	Prague	F	15	59	Tunis	C	20	68
Algiers	C	17	63	Cairo	S	39	102	Helsinki	S	3	37	Melbourne	C	17	63	Reykjavik	F	2	36	Valencia	F	18	64
Amsterdam	S	13	55	Cape Town	S	23	73	Hong Kong		–	–	Mexico City	F	29	84	Rhodes	S	21	70	Venice	R	13	55
Athens	S	24	75	Caracas	R	28	82	Innsbruck	R	8	46	Miami †	F	24	75	Rio d'Janeiro	F	33	91	Vienna	C	12	54
Bahrain	S	26	79	Casablanca †	C	15	59	Inverness	R	9	48	Milan	F	14	57	Rome	F	15	59	Warsaw	F	12	54
Bangkok	C	35	95	Chicago †	R	6	43	Islamabad	C	24	75	Montreal †	C	1	34	Salzburg	F	14	57	Washington †	C	12	54
Barcelona	F	14	57	Cologne	T	13	55	Istanbul	F	19	66	Moscow	C	1	34	S'Francisco †	C	13	55	Zurich	F	13	55
Beijing	S	23	73	Copenhagen	S	10	50	Jakarta	R	32	90	Munich	F	15	59	Seoul	S	17	63				
Beirut	S	23	73	Corfu	F	20	68	Johannesburg	S	21	70	Nairobi		–	–	Singapore	F	31	88				
Belfast	F	11	52	Dallas †	C	8	46	Lisbon	S	17	63	Naples	C	15	59	Stockholm	S	8	46				
Belgrade	F	16	61	Dublin	C	13	55	London	S	11	52	Nassau	C	28	82	Strasbourg	F	14	57				
Berlin	S	13	55	Dubrovnik	F	17	63	Los Angeles †	F	14	57	New Delhi	S	32	90	Sydney	C	19	66				
Bermuda	S	20	68	Edinburgh	F	11	52	Luxembourg	R	11	52	New York †	C	12	54	Taipei	F	25	77				
Bombay	S	32	90	Faro	S	19	66	Madeira	R	16	61	Nice	S	15	59	Tangier	F	16	61				
Bordeaux	C	10	50	Florence	C	11	52	Madrid	F	14	57	Nicosia	S	25	77	Tel Aviv	S	30	86				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Friday April 16 1993

INSIDE

Petrofina shares rise on talk of Elf bid

Shares in Petrofina, the Belgian oil and gas company, rose 6 per cent yesterday morning in heavy trading amid speculation about a possible takeover bid from Elf-Aquitaine, the French state-controlled oil company. Page 16

Volatile reaction challenged

The US Financial Accounting Standards Board's decision to force institutions to value more of their bond holdings at current market prices triggered an outcry from industry executives, who claimed the rule would create volatility in earnings, policyholder surpluses and equity accounts. Page 17

'Lifestyle brand' out of red

Laura Ashley, the international clothing and home furnishings group, reported its first pre-tax profit since 1989, in spite of a management shake-up which resulted in a large US operating loss. The group, which sees itself as a "lifestyle brand" rather than a retailer, made a profit of £1.8m ($2.7m). Page 20; Lex, Page 14

JP Morgan's happy new year

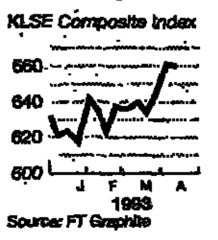
A big rebound in trading profits and healthy underwriting revenues in the first quarter helped New York banking group JP Morgan recover from a disappointing end to 1992. The bank earned $432m in the January-to-March period, cut to $295m after a previously announced after-tax charge of $137m. Page 17

Shake-up for Bronfman empire

Senior holding companies controlled by Toronto's Bronfman family have announced a complex restructuring of mutual financial arrangements. Page 18

Frenzy in Kuala Lumpur

Malaysia



Source: FT Graphite

Kuala Lumpur's stock exchange has recently outperformed New York on volume. Officials insist the frenzied activity reflects a buoyant economy. But one sceptics said: "There's no logical reason for all this activity. It's just that people have suddenly decided to indulge in an orgy of speculative buying and selling."

Back Page

CIS smelters go clean

The aluminium industry of the Commonwealth of Independent States is likely to go ahead soon with a $600m scheme to cut pollution from smelters. The scheme would go a long way towards answering complaints by the European Community's aluminium industry that is is having to shut down modern capacity to make way for exports from heavily polluting CIS smelters. Page 28

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
DLW	480.5	+	10.5
Kaufhof	478	+	16
Schering	767	+	8
Springer Axel	550	+	11.5
Falls			
Leifheit	470	–	18
Rheinelektra	957	–	8

NEW YORK ($)

Rises			
Georgia-Pacific	84½	+	2⅛
Microsoft	87¾	+	1¾
Falls			
Charles Schwab	35⅝	–	2⅝
Merill Lynch	78⅝	–	⅛
PaineWebber	26⅞	–	¼
Wal-Mart	28¾	–	½

New York prices at 12.30.

PARIS (FFr)

Rises			
Euratrance	1655	+	25
Falls			
BSN	957	–	19
Dollfus Mieg	290	–	7
Euro RSCG	480	–	13
Lyons Eaux	465.3	–	21.4
Peugeot	568	–	19

TOKYO (Yen)

Rises			
Fuji Kisen	415	+	55
Nissan Diesel	520	+	80
TDF	410	+	45
Tokai	550	+	56
Falls			
Sonton Food	1210	–	110
Superbag	480	–	24

LONDON (Pence)

Rises			
ASW	167	+	8
Amber Day	77	+	6
Brit Steel	91	+	5
Cairn Energy	50	+	4
Christie Grp	43	+	8
Forte	188½	+	6½
Greencore	315	+	26
Huntleigh Tech	875	+	25
ICI	1201	+	34
Marshalls	68	+	5
Micro Focus	2165	+	45
Monarch Res	119	+	11
Parambe	48	+	6
RMC	629	+	21
Radamec	50	+	5
Redland	452	+	13
Tie Rack	133	+	7
Wilson Bowden	419	+	14
Yorkshire TV	173	+	19
Falls			
Bespak	561	–	68
HTV	47	–	4
Henning Baker	73	–	5
Mallett	59	–	8
Russell (Alex)	44	–	5
Sleba	467	–	8
Thames Water	528	–	15
Trafford Park	59	–	6
Yorkshire Elect	524	–	15

USAir bids to raise up to $260m in offer

By Nikki Tait in New York

USAIR, the US airline in which British Airways invested $300m for a potential 19.9 per cent voting interest earlier this year, is continuing efforts to improve its debt-laden balance sheet with an offering of up to $260m-worth of ordinary shares.

The US airline said yesterday it planned to sell 10m new shares to investors – or up to 11.5m if underwriters' over-allotment options are added.

Hampered by its poor financial condition, USAir has not tapped the equity market in recent years, in contrast to larger US competitors such as American, United and Delta Air Lines. It has, however, sold debt securities.

USAir made its filing with the Securities and Exchange Commission yesterday. The document suggested the maximum offering price for the new shares would be $22.50.

At this price, assuming all the 11.5m shares are taken up, the issue could raise just under $260m.

Yesterday morning, USAir shares – which were suspended briefly on the New York Stock Exchange – resumed trading at $21¼, down $1¼.

USAir did not indicate how the proceeds would be used. However, most of the $300m it received from BA went towards paying down its $600m revolving credit facility. USAir's long-term debt at end-1992 stood at more than $2bn.

Under its investment agreement with USAir, BA has rights to buy shares of preferred stock, convertible into USAir common stock, to maintain its underlying interest when the US carrier goes ahead with an equity issue.

BA said last night it had 30 days to decide whether to exercise its rights. It was still considering how to respond to the announcement, and had no comment on whether those rights would be exercised.

USAir's offering follows a general rally in US airline stocks, and comes amid many new stock offerings in the US. During the first quarter of 1993, for example, corporate America raised around $22bn in new equity issues – slightly more than in the same period of 1992.

The fillip in airline shares, meanwhile, has reflected hopes of the US government's attention to the industry's problems, and the absence of savage domestic price wars may allow the stronger carriers to return to profitability this year.

KIO issues writs for recovery of $500m

By Peter Bruce in Madrid and Robert Peston in London

THE KUWAIT Investment Office (KIO), the external investment arm of the Kuwaiti government, yesterday launched writs in the UK seeking recovery of more than $500m. The KIO alleges this sum was misappropriated from Grupo Torras, its Spanish business which is in receivership, and a London offshoot, Torras Hostench London.

It named 22 defendants in the proceedings, including some of the former managers of Grupo Torras and Torras Hostench London.

The actions are civil claims, based upon conspiracy to defraud, breach of directors' duties and breaches of trust.

The writs come after the failure of the KIO's new management to convince courts in Spain that their complaints warranted investigation and criminal proceedings. The writs issued in London yesterday draw in many more defendants than the Spanish proceedings.

The new KIO management has claimed that all $5bn invested by Kuwait in its Spanish industrial empire since 1986 has been lost due to gross mismanagement by former KIO executives and Spanish managers.

The writs name the former KIO chairman, Sheikh Fahad al-Sabah, a cousin of the emir of Kuwait; Mr Richard Robinson, a former head of the KIO's direct investments department who left in 1989; Mr Fouad Jaffar, the former KIO managing director; Mr Walid Makezou, a director of Torras Hostench London; and Mr Plinio Coll Gutierrez, Grupo Torras' former internal auditor.

They also name Mr Javier de la Rosa, the Catalan financier who managed the KIO's Spanish investments until May last year, and some of his associates.

The writs additionally name a Jersey lawyer and his firm and eight offshore companies apparently established in Jersey by the KIO and used in the financing of its Spanish investments.

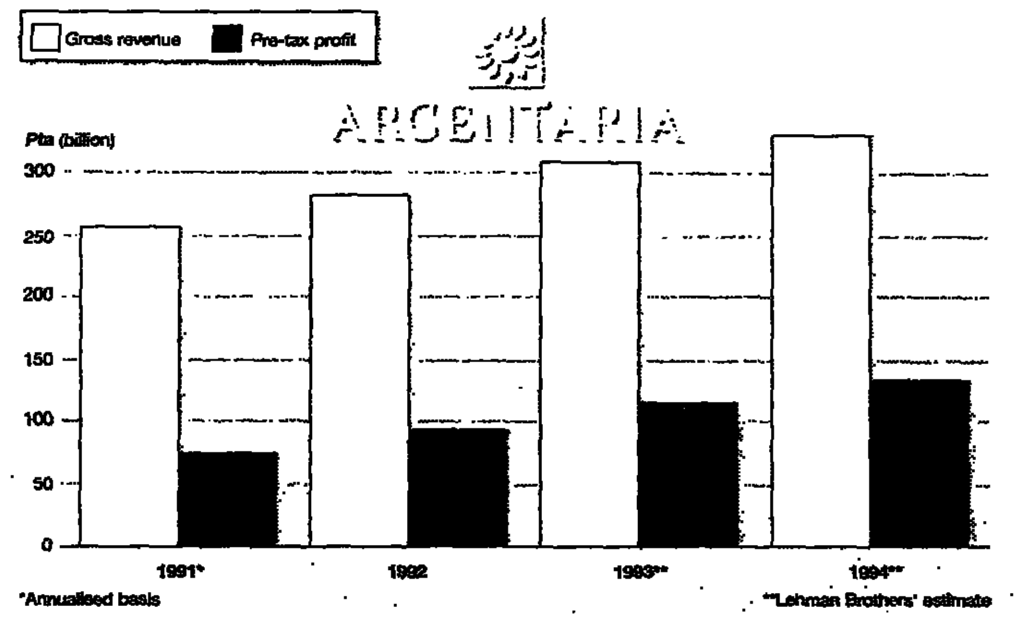
If the writs lead to a trial in the UK, much previously secret information on the management of Kuwait's oil fortunes is likely to be made public.

Mr de la Rosa said yesterday the writs were "a further internal political deception" in Kuwait and that the former Spanish managers planned to retaliate with a $600m claim of their own against their accusers in the next few days.

Tom Burns on Spain's big privatisation, overshadowed only by the coming election

Wings of song bring Argentaria to market

Healthy outlook for Spanish bank



OPERA lovers recognise the swirling music as the Slaves' Chorus from Verdi's Nabucco. Spaniards, who now hear it incessantly on their radio stations, are being roused by the chant into becoming shareholders of a state-controlled banking corporation.

With just a week to go before the subscription period opens in the $1bn partial privatisation of Argentaria, well over 300,000 members of the domestic public have, in less than a month, telephoned to register their readiness to invest in its equity.

Argentaria's chairman, Mr Francisco Luzon, said in February that he hoped to have 200,000 shareholders in the planned placement of up to 25 per cent of the banking corporation's stock. He could now have double that number.

Around 12m Argentaria shares, representing some 42 per cent of the equity being privatised, are being offered to the home retail market.

Spaniards may invest a minimum of Pta25,000 ($217) and a maximum of Pta8m ($92,000) in the shares which will be priced, within a range of Pta3,500 to Pta3,950, on or around April 23.

There is a second Spanish tranche aimed at the institutional market, a third for Argentaria's employees and a further four tranches, totalling some 8m shares, to be placed in the US, the UK, continental Europe and the rest of the world.

Spain's would-be shareholders seem undeterred by the snap general election on June 6, which was called after the share offering was announced. Should it be won by the opposition centre right – currently neck and neck with the ruling socialists – the new government could in theory replace Argentaria's present management team.

Following the placement, the group will make up as much as 7 per cent of the capitalisation of the Madrid stock market, making it the biggest stock after Telefonica, the state-controlled telecommunications group.

Argentaria, a federation of state-controlled financial institutions with 14 core business units, reported net profits of Pta67.4bn in 1992, its first full financial year, and average total assets of Pta9,717bn, the second largest among Spain's banking groups.

Analysts expect it to overtake Banco Bilbao Vizcaya, currently ranked eighth among financial institutions in the FT's European Top 500, to become Spain's leading bank group.

Created in May 1991, Argentaria is the only Spanish financial institution with both commercial bank and savings bank subsidiaries. This gives it a strong domestic customer base, enhanced by the fact that Caja Postal, its saving bank unit, is the only caja in the country that is not tied to a specific region.

Argentaria is run in a strikingly decentralised fashion. At the centre is Mr Luzon, with a staff of 40, setting group strategy and co-ordinating the individual business units.

These include a merchant bank, a bank dealing with local government financing and another serving the agri-business sector, three "para-banking" companies dealing with brokerage and fund management and a further four non-banking ones that provide insurance and property services. Each unit has its own board of directors and its own profit and loss account.

In the long run, the test will be whether Argentaria is able to combine this decentralised management with the cross-selling opportunities it hopes for. As an example, the group points to the way Banco Hipotecario Español (BHE), Argentaria's property financing unit and the only specialist mortgage bank in Spain, has got together with Caja Postal to offer savings accounts to home buyers.

BHE has only 50 offices; until now, most of its 800,000 mortgage holders have held their accounts elsewhere. Last year 85 per cent of BHE's 40,000 new clients opened accounts with Caja Postal.

Argentaria hopes to make gains on costs, too, citing the way it has trimmed its seven information systems down to two, saving Pta2bn a year in capital spending and a further Pta2bn a year in running costs.

In the short run, the biggest influence on Argentaria's results will be the extent to which it can extend across the group the gains in efficiency already achieved by Banco Exterior, its flagship.

Mr Luzon, formerly managing director at the merged Banco Bilbao Vizcaya, was appointed to run Banco Exterior in 1988.

His brief from the government was to convert Exterior from an export credit agency into an aggressive international bank. Mr Luzon raised the bank's return on assets from 0.33 per cent in 1988 to 0.75 per cent in 1990 and 0.83 per cent in 1992, a figure on a par with its private sector rivals.

Those gains achieved, analysts are now forecasting modest growth for Exterior, which provided 49 per cent of Argentaria's pre-tax profits in 1992.

The task of rapid profits growth now falls to the group's other units, which only came under Mr Luzon's aegis in May 1991.

Likely priorities include:

- Argentaria Bolsa, the group's broking unit. The size and strength of the group's balance sheet should allow this unit to boost its derivatives and capital markets activities. Trading volumes at Argentaria Bolsa rose 40 per cent last year.
- The mutual funds managed by the insurance unit. Argentaria is currently ranked only fifth among Spanish banks in the volume of mutual funds under management. It plans to raise these funds by 40-45 per cent this year, from their current level of Pta330bn.

Mr Luzon is a Socialist government appointee and a close friend of Mr Carlos Solchaga, the finance minister. Though he has strengthened the group's management by hiring more than 70 former Vizcaya executives, he remains the key to Argentaria's future.

It is ironic, therefore, that the flotation coincides with an election that could cost him his job. Moral: companies that link their fate to opera must expect a little last-act melodrama.

Banks may sell O&Y stakes in paper and energy groups

By Bernard Simon in Toronto

AN INTERNATIONAL group of banks is examining ways to dispose of the majority shareholdings, worth more than C$1bn (US$795m), which they control in Abitibi-Price, one of the world's biggest newsprint producers, and Gulf Canada Resources, the Canadian energy group.

The shares are nominally owned by Olympia & York, the crippled property developer, which pledged them as collateral for a US$2.5bn syndicated loan from the banks. But under a debt-restructuring plan which took effect last month, the lenders have effective control of almost all O&Y's shares.

Options being considered include seeking new "strategic" shareholders willing to buy a substantial block of shares in either company, and a distribution of shares through an international public offering.

The banks, led by Hongkong & Shanghai Banking Corporation, have appointed Salomon Brothers of New York and RBC Dominion Securities of Toronto to advise them on maximising the value of their collateral.

Representatives of the two investment banks have already interviewed Abitibi and Gulf executives and are expected to submit a report to the banks within the next month.

The timing of a sale is uncertain. At current share prices, the banks would fall far short of recouping the full amount of their loan. The 79 per cent stake in Abitibi pledged to the banks is worth about C$780m. Of O&Y's 75 per cent interest in Gulf Canada, the 70 per cent stake provided as security is valued at just over C$520m. Abitibi is gradually recovering from a deep slump in the North American forestry industry.

However, Gulf Canada continues to experience severe financial problems. Gulf, which has a debt load of C$1.6bn, lost C$252m from continuing operations last year and has suspended dividends.

HSBC provided $750m of the syndicated loan. Other participants were Credit Lyonnais, Commerzbank, Royal Bank of Canada and Dai-Ichi Kangyo.

In anticipation of a change in ownership, Abitibi and Gulf – in consultation with the banks – have each named three new directors to replace members of O&Y's Reichmann family and their nominees. The same three people have been appointed to each board.

Forte cuts dividend on warning

By Michael Skapinker, Leisure Industries Correspondent

FORTE, the UK hotel and restaurants group, yesterday cut its dividend for the first time in two decades, warned that there were few signs of a business upturn, and said it would be reducing US operations.

Forte reported pre-tax profits for the 12 months to January 31 of £164m ($248m) after exceptional items, using the FRS 3 standard. This compared with a restated £59m for 1991-92. Pre-tax profits before its share in Savoy Hotel, exceptional items and property revaluations were £72m, against £70m last time. Earnings per share were 14.1p (4.3p).

The final dividend of 4.75p produced a total of 7.5p, against 9.91p last time. Mr Rocco Forte, chairman, said: "We feel it prudent to set the dividend at a level which would be sustainable even if there is no upturn in trading conditions and which will provide a basis for future growth."

The group is offering shareholders the alternative of an enhanced scrip dividend with a value 50 per cent higher than the cash payout. Mr Forte said trading conditions deteriorated last year and had not improved. "The green shoots that seem to be appearing are not appearing in our business yet," he said.

He said the group's cost reduction programme should improve profits even without a rapid recovery in demand. Over the past two years, total staff numbers have been reduced by 7,000 to 38,500.

Forte says it is putting 15 of its US Travelodge hotels up for sale, allowing it to concentrate on the remaining motel operations, which might be floated off in 18 months' time. He said the group's stated intention to expand on the Continent would be postponed. With much of Europe moving into recession, better deals would be available in a year, he said.

There were exceptional charges of £73m for reorganisation, rebranding, and software. The intended disposal of the Travelodge hotels and other property losses produced an exceptional charge of £91m. The sale of the Gardner Merchant contract catering business produced an exceptional gain of £257m.

A revaluation of the entire property portfolio produced a reduction in the revaluation surplus of £344m. As a result, gearing rose to 48.4 per cent.

Lex, Page 14; Queens Moat, Page 21

Ilva outlines plans to cut debts and raise earnings

By Haig Simonian in Milan

ILVA, the Italian steel group controlled by the IRI state holding company, yesterday outlined long-awaited restructuring plans to lower its debts and restore earnings.

The news came as Ilva announced a L2,309bn ($1.46bn) loss for 1992 on sales of L10,087bn, down from L10,923bn the previous year. In 1991, the group lost L504bn after minority interests and after setting aside L411bn in extraordinary gains in a restructuring fund. Net debts rose to L7,583bn last year.

Although financial details of the restructuring were not revealed, it is clear the proposals, to be submitted to the European Commission by the end of this month, could prompt a clash with officials and big European steelmakers.

Ilva crossed swords with the Commission over two capital increases, amounting to L650bn, authorised by IRI. The opening of a formal procedure by the Commission has been postponed pending details of the restructuring.

The plan envisages the creation of a company specialising in flat laminates. Although IRI will be sole shareholder, it will aim gradually to lower its stake below 50 per cent. IRI gave no indication as to who might invest in the new company, yet to be named, beyond saying it would be open to joint ventures or disposals to Italian or foreign steelmakers. Other Ilva operations, not deemed to be strategic but which cannot be sold immediately, will be handled directly by IRI.

IRI said further details of the project were still being assessed by a joint Ilva-IRI committee. However, even in its skeleton form, the plan already bears a strong resemblance to that which marked the liquidation of Finsider, the former Italian state steel group, in the late 1980s. Finsider's most attractive operations were ceded to the newly-created Ilva, while IRI took on much of Finsider group's heavy debts.

In January, IRI shocked Italy's political and industrial establishment by announcing the resignations of Ilva's top management and appointing Mr Hayao Nakamura, a senior Nippon Steel executive, as its new managing director.

Banking raises Dutch insurer

By Ronald van de Krol

INTERNATIONALE Nederlanden Groep, the Dutch banking and insurance group, said net profit rose by 6.5 per cent to Fl 1.68bn ($933m) in 1992, as a strong increase in banking profits more than compensated for a slight decline in insurance results.

In banking, ING saw an 11.9 per cent rise in pre-tax profits to Fl 1.05bn and a strong increase in international lending, which was up more than 25 per cent over 1991.

ING's insurance operations faced depressed results in non-life and reinsurance activities, though life insurance developed favourably. Overall, pre-tax profits from insurance dropped by 1 per cent to Fl 1.14bn. In early 1993, the company said it was withdrawing from general reinsurance of large risks, such as ships, aircraft and natural disasters.

The 1992 dividend is to be raised 3.6 per cent to Fl 3.20 per share, with a choice offered between payment in cash or preference shares

The group's results were at the upper end of analysts' forecasts, and ING's shares closed up Fl 0.70 at Fl 65.30.

ING said it would be reorganising and simplifying its top management. It would also change its valuation principles this year.

One of the changes will mean that the costs of acquiring life insurance policies will be deferred and amortised. If these and other changes had taken effect in 1992, net profit would have been about 9 per cent higher.

Property sale behind Holvis profit rise

By Ian Rodger in Zurich

HOLVIS HOLZSTOFF, the Swiss non-wovens and paper distribution group, revealed yesterday that its 8.3 per cent rise in net profit last year to SFr32.7m ($22.1m) was made possible by an SFr9m net extraordinary profit on the sale of a property.

The sale more than offset the slump in profits from operations caused by a SFr12m loss at Sodoca, the group's French subsidiary. Sodoca, the company with which Holvis first began its diversification into the non-wovens business in 1969, lost orders from a large customer early in 1992 due to the inadequate quality of part of its production.

Mr Pedro Reiser, chief executive, said there had been some dismissals and Sodoca was expected to return to profit next year.

Holvis forecast that its net profit this year would rise despite higher investment and development costs for non-woven activities.

The group, which removed all restrictions on foreign ownership of its shares last year, said 44 per cent of its shares were now held by foreigners. The British Rail pension fund, with 15 per cent, and Mercury International Investment, also of the UK with 10 per cent, were the two largest.

● Alusuisse-Lonza, the Swiss aluminium group, plans a one-for-10 rights issue. The price of the new shares will be revealed on April 28.

Daf blames bankers for company's collapse

By Ronald van de Krol in Eindhoven

DAF, the Dutch truckmaker which collapsed under the weight of its debt in February, yesterday said it had been pushed into receivership by a "minority" of unnamed bankers who demanded up to 10 weeks to study the company's last-ditch restructuring plan drawn up in January.

Mr Cor Baan, chairman of the "old" Daf as well as of the successor company which was formed last month, also said it was "particularly unfortunate" that the company's bankers had demanded that Daf's attempt to form a strategic partnership with Mercedes-Benz of Germany in 1992 should include a form of equity participation.

Mr Baan, who was speaking at the company's extraordinary shareholders' meeting, said: "This limited the freedom to develop alternative scenarios."

The meeting, which lasted nearly six hours, was dominated by Mr Baan's explanation of the company's fortunes since its merger with Leyland, the UK commercial vehicle maker, in 1987.

It was also marked by angry recriminations from shareholders who have been told that they will received nothing for their shares, as well as by criticism from Daf employees who lost their jobs when the company was revived in slimmed-down form in March.

The new company, Daf Trucks, includes the core of the old company's operations in the Netherlands and Belgium but excludes the UK operations, Leyland Daf.

Daf released figures for 1992 showing that its net loss narrowed to Fl 257m ($143m) from Fl 395m in 1991, taking cumulative losses since 1990 to Fl 880m.

Mr Baan said the figures demonstrated that Daf was making progress in cutting costs when it ran into difficulties. Operating results swung into a profit of Fl 22m from a loss of Fl 98m the year before.

Bid talk boosts Petrofina shares

By Andrew Hill in Brussels and Alice Rawsthorn in Paris

SHARES in Petrofina, the Belgian oil and gas company, rose 6 per cent yesterday morning in heavy trading on the Brussels bourse, amid speculation about a possible takeover bid for the group.

After reaching a peak of BFr9,750 at 2pm, the shares slipped back to close at BFr9,400, an increase of 2 per cent on the opening price of BFr9,200.

The group's share price has risen nearly 25 per since Petrofina announced poor 1992 results in February, and traders have speculated that Elf-Aquitaine, the French state-controlled oil company, may be a suitor for the company.

Elf said yesterday that it owned a small stake in Petrofina – less than the 5 per cent threshold for declaration – but said it had not bought stock in yesterday's heavy trading, which saw turnover reach nearly 74,000 shares.

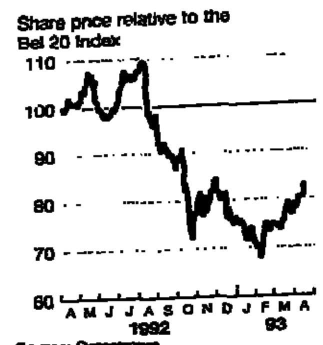
The group said it held the shares as a financial rather than an industrial investment, and as a means of maintaining a presence in the north European market.

Petrofina is in the process of strengthening its defences against a takeover. However, the company says this is not a reaction to recent speculation, but the implementation of plans mapped out after Belgium reformed its stock exchange rules two years ago.

The group hopes to improve the transparency of its share register by making it obligatory for investors to declare stakes of over 3 per cent. It also wants to be able to buy in its own shares without obtaining shareholder permission in advance. Shareholders will vote on the proposals at an extraordinary meeting on April 27.

Petrofina

Share price relative to the Bel 20 Index



Source: Datastream

The share price of Petrofina, one of Belgium's largest quoted companies, suffered last year after doubts were raised about the group's investment in the Ekofisk oil field, and investors realised that the group's main divisions – refining and marketing, and petrochemicals – were both experiencing a downturn. The stock fell from a high of BFr11,750 in May to BFr7,010 in mid-October.

In practice, however, it would be impossible to bid for the company without the support of Belgium's two largest holding companies, Groupe Bruxelles Lambert, which controls some 28 per cent, and Société Générale de Belgique which owns a further 11 per cent.

Consolidated profit at Petrofina dropped by 72 per cent last year, to BFr4.6bn ($195m).

Fortis dampens sale speculation

By Andrew Hill in Brussels

FORTIS, the Belgian-Dutch banking and insurance group, yesterday tried to dampen speculation about a likely reshuffle of its banking assets in Belgium.

The group, which announced a 4.4 per cent increase in net profits last year, to Ecu419m ($513m) from Ecu402m, wants to sell part of its 14.7 per cent holding in Générale de Banque, Belgium's largest bank.

But Mr Maurice Lippens, joint chairman, said yesterday that Fortis would take its time and did not want to "destabilise" Générale de Banque. "We believe the price [of the bank shares] today is a good price, but it still could be a little higher," he said.

Fortis – which groups together the activities of AG of Belgium and Amev of the Netherlands – decided to reduce its stake in the bank after failing to agree terms on which it could sell its insurance products through Générale de Banque's branch network.

Société Générale de Belgique, Belgium's largest holding company and a prominent shareholder in both AG and Générale de Banque, has expressed an interest in buying the shares.

Fortis is now considering whether to bid for a stake in CGER-ASLK, a Belgian state-owned savings bank, which is part of the government's privatisation programme.

Mr Lippens said Fortis was not selling the Générale de Banque stake to raise funds for a stake in CGER-ASLK, which he described as "an outstanding example of 'bancassurance' in Belgium".

Lyonnaise to put FFr500m into Dumez

By Alice Rawsthorn

LYONNAISE des Eaux-Dumez, the French industrial and utility group which this week announced a sharp fall in last year's profits, plans to invest FFr500m ($93m) in Dumez, its troubled construction subsidiary, through a capital increase.

The recapitalisation, which has been triggered by the need to repair Dumez' balance sheet after its heavy losses last year, is expected to take place within the next few weeks.

Lyonnaise said yesterday that the transaction would raise Dumez' shareholders' funds to between FFr1bn and FFr1.5bn.

Dumez, one of France's largest construction companies, was taken over three years ago by Lyonnaise, which has extensive interests in water distribution and property.

The European construction industry has since suffered severely in the economic slowdown. Lyonnaise' construction interests, of which Dumez forms the largest part, almost doubled its losses from FFr276m in 1991 to FFr461m on static sales of FFr45.9bn in 1992.

Cockerill posts BFr1.4bn loss

By Andrew Hill

COCKERILL Sambre, the Belgian steelmaker, yesterday reported it had lost BFr1.4bn ($42m) in 1992, and said there would be little improvement during 1993. The group made a net profit of BFr3.6bn in 1991.

The group's consolidated operating profit was only BFr308m, against BFr4.41bn in 1991, on turnover down from BFr174bn to BFr168bn. Cockerill, like other European steelmakers, has been hit by the sharp economic downturn.

Lanvin chairman replaced after concern over costs

By Alice Rawsthorn

MR MICHEL Pietrini has been ousted as chairman of Lanvin, the French luxury goods group, just six months after the multi-million dollar relaunch of the company.

He has been replaced by Mr Loïs Armand, 41, a senior executive at L'Oréal, the French cosmetics company. L'Oréal three years ago bought Lanvin for over FFr400m ($74.38m at current exchange rates) in a joint venture with Orcofi, the investment consortium founded by Mr Henry Recamier, former head of the Louis Vuitton luggage business following his defeat in the battle for control of the LVMH group.

L'Oréal and Orcofi are believed to have become concerned both about the cost of the relaunch and Lanvin's mounting losses. The luxury goods market has suffered severely in the world recession. Lanvin is believed to have lost FFr120m in each of 1991 and 1992.

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Strong rebound in trading profits lifts J.P. Morgan

By Patrick Harverson in New York

J.P. MORGAN yesterday reported strong first-quarter earnings as a rebound in trading profits and healthy underwriting revenues helped the New York banking group recover from a disappointing final three months of 1992.

The bank earned $432m in the January-to-March period, although that was reduced to net income of $295m after a previously-announced after-tax charge of $137m related to the adoption of new standards for the accounting of post-retirement benefits.

First-quarter profits were well up on a year ago, when the bank reported earnings of $264m (although that was later restated as net income of $716m to reflect changes in the bank's accounting of income taxes), and on the final quarter of last year, when poor trading results depressed earnings to $298m.

The biggest contribution to the improvement came from the bank's trading business, where revenues totalled $469m, ahead of the same quarter a year ago and the last quarter of 1992.

Both of those quarters were affected by losses on the trading of mortgage-backed securities. In this term, however, the results were boosted by successes in the trading of swaps, foreign exchange forward contracts, and global (especially European) debt securities.

In a rare move for a US bank, J.P. Morgan chose not to make any loan-loss provisions in the quarter. The ratio of reserves to non-performing loans stands at about four-to-one ($1,202m to $299m), the highest of any leading US bank.

The corporate finance division also put in a good performance, with revenues rising 23 per cent to $119m following strong demand for the bank's debt and equity underwriting services, both in the US and overseas. J.P. Morgan is one of only a handful of US banks allowed to underwrite securities in the domestic markets.

First-quarter profits were also buoyed by gains of $74m from the sale of Brazilian interest bonds, which boosted net interest revenues to $432m, and $95m from the sale of foreign government and US Treasury investment securities.

Among other revenue sources, credit-related fees rose to $54m, investment management earnings climbed to $113m and operational service fees for custody, clearing and brokerage activities increased to $116m.

Operating expenses rose sharply to $809m, primarily because of higher performance-related employee compensation payments.

Record quarter at Charles Schwab

By Patrick Harverson

CHARLES Schwab, the biggest discount brokerage firm in the US, yesterday announced record first-quarter profits of $35.4m, up from $29.7m a year earlier.

The company continues to benefit from a trend in which individual investors have moved money out of low-yielding assets and into the stock markets.

Net revenues rose 7 per cent in the quarter to $236.3m, the highest in the firm's history. Revenues from brokerage commissions climbed 5 per cent to $143.5m, and earnings from mutual fund service fees jumped 54 per cent to $20.6m as customer assets in the company's funds more than doubled to $15.3bn.

The total amount of assets in client accounts at Schwab soared 43 per cent to $73bn, with a record 183,000 new accounts opened during the three-month period.

The company's total expenses rose 5 per cent to $174.9m in line with the increase in customer activity.

Despite the record figures, shares in Schwab fell $2 to $36¼ on the New York Stock Exchange before the close as investors took profits in a wide range of brokerage stocks, which had risen sharply earlier in the week.

● Bear Stearns, the Wall Street securities house, is opening an office in Shanghai, the financial capital of China, where it will advise local companies and investors in financings. Bear Stearns is the second US securities firm to open a Shanghai office.

Small earthquake in US financial services

FASB rule may not be as damaging as opponents claim, say Alan Friedman and Nikki Tait

RARELY has there been an accountancy rule as controversial in the US financial services industry as the decision this week by the Financial Accounting Standards Board to force the nation's banks, insurers and other financial institutions to value more of their bond holdings at current market prices.

The ruling, which takes effect with 1994 financial statements, triggered an outcry from banking and insurance industry executives, who claimed the rule would create volatility in earnings, policyholder surpluses and equity accounts.

The bankers' argument is that by forcing them to revalue their bond holdings each quarter, their financial results will become more confusing. Insurers maintain the new rule could force them to shorten the maturities of the Treasury bonds they hold.

But a closer examination of the rule shows it may not pose as much of a threat as its opponents claim.

Mr Richard Breeden, chairman of the Securities and Exchange Commission, has had nothing but praise for the new rule. He said it would clarify "the rules of the road" and lessen the number of enforcement actions needed by the SEC.

Mr Edward Markey, the Democratic member of Congress from Massachusetts who chairs the House Finance Committee, argued that had the mark-to-market rule been in effect a decade ago it might have helped prevent some of the savings and loan scandals of the 1980s by giving investors a more accurate picture of bank values.

Banks have reason, at least at the political level, to be nervous about a rule that affects their Treasury bond holdings.

Since 1990, US banks have increased their holdings of Treasury paper substantially. Three years ago, such paper represented an average of 10 per cent of US bank assets; by the middle of last year, the proportion had jumped to 17 per cent, meaning that US banks held $231bn of Treasury paper.

Politicians have blamed bankers for causing the credit crunch by reducing business lending while building up Treasury holdings.

In fairness to the banks, the trend was exacerbated by new capital ratio guidelines that acted as a disincentive to lenders, who were already wary because of the commercial property loan crisis that faced US banks between 1990 and 1992.

Mr Tom Jones, senior Citicorp executive in charge of finance, said he could see no real impact on bank earnings. But he added that one result of the new rule might be to cause banks to reduce their overall bond holdings to avoid having to reclassify the values every three months. "In a pragmatic sense I can't see why we should bother holding long-term securities at all," said Mr Jones.

Another aspect of the rule – causing banks to classify bonds as available for sale rather than as long-term investments – could force some to move from longer to shorter term bond maturities.

Ms Kathleen Camilli, chief economist at Maria Fiorini Ramirez, the bond market analysts, noted that "many banks have already been preparing for the eventuality of having to mark to market by moving to shorter term maturities. So there should not be an inordinate volatility as a result of this rule."

Mr James McDermott, president of Keefe Bruyette, the bank analysts, said most analysts "consider this a bogus issue because we already take into account the real market value of such holdings."

Richard Breeden: said the change would clarify 'the rules of the road'

Insurers' hostility towards greater current cost accounting of their investment portfolios is just as deep-rooted. Repeatedly, the insurance community has argued it was misleading – even dangerous – to value assets at market levels, but not liabilities.

Furthermore, it has protested that a considerable portion of insurers' investment portfolios were not readily marketable. "Current" valuations, therefore, will be subjective.

However, the narrower FASB ruling has prompted critics of the move to highlight two specific practical implications.

The first is that the new FASB rule will add even more volatility to insurers' earnings. If there were to be a period of high inflation, and a sharp jump in interest rates, for example, it might even create "technical" insolvencies, requiring regulators to intervene and take over these temporarily "ailing" companies.

Second, some in the industry think that insurers will be increasingly anxious to invest in shorter-term securities to minimise their exposure to interest-rate-related volatility and improve liquidity.

The numbers involved are not small: life companies alone have assets of about $1,700bn. About 60 per cent of this – about $1,000bn – is currently invested in bonds, and perhaps three-quarters of that amount in longer-term bonds.

The counter-argument is that marking more of the bond portfolios to market will prove a valuable discipline, and the industry's reaction is unnecessarily alarmist.

"I think the response from the industry is way overdone," comments Mr Ernest Jacobs, insurance analyst at Furman Selz. "Some companies have effectively already adopted this treatment – and, frankly, I'd be hard-pressed to say that they've been scarred as a result."

Arguments can clearly be made from both sides of the issue. What seems clear is that insurers have more at stake in overall money terms than do banks.

But few people, opponents of the rule included, would be so bold as to claim mark-to-market is likely to trigger a financial nightmare. The main impact looks like creating still more bureaucracy for accountants.

Upjohn ahead 9.8% despite flat US sales

By Karen Zagor in New York

UPJOHN, the US pharmaceuticals group, yesterday posted a 9.8 per cent improvement in underlying first-quarter earnings to $199.2m from $181.5m a year earlier. Operating revenues rose 7.2 per cent to $932.7m from $875.8m.

Net income, including the cumulative effect of accounting changes and other special items, was $144.6m, or 81 cents a primary share, against a net deficit of $85.3m, or 50 cents, a year ago.

Operating income rose to $184.1m from $177.6m, with a strong performance from agricultural operations offsetting a slight decline in health care.

Mr Ley Smith, chief operating officer said: "We await the resolution of the debate over the reform of the US health-care system, confident that the strength of our product pipeline and the flexibility of our organisation will result in a respectable ongoing performance."

On Wednesday, the company said Mr Smith had assumed the responsibilities of chief executive because of the deteriorating health of Mr Theodore Cooper, Upjohn's chairman and chief executive.

Upjohn's R&D expenditure was steady at 16 per cent of sales, but the company trimmed marketing and administrative costs to 36 per cent from 37 per cent of sales.

Healthcare sales were flat in the US and up 1 per cent worldwide, with growth led by antibiotics.

However, several of Upjohn's traditional money-spinners had slower sales in the quarter.

American Barrick defies market trend

By Bernard Simon in Toronto

AMERICAN Barrick, the North American gold producer, has again defied the lacklustre bullion market by doubling first-quarter earnings.

Net income jumped to US$46.1m, or 16 cents a share, from $23.2m, or 8 cents, a year earlier. The per-share figures have been adjusted for a two-for-one share split last month.

Revenues rose to $144.1m from $81.5m.

The continued surge in profits was due largely to rising production at Barrick's flagship Goldstrike mine in Nevada. Goldstrike produced 307,800 ounces in the latest period, up from 151,800 ounces a year earlier. The company ascribed the advance to higher-grade sulphide ores.

The higher output and improved grade pushed down operating costs to $174 an ounce from $199 an ounce.

Barrick also continues to benefit from its active hedging programme. It realised an average gold price of $410 in the first quarter, slightly below the previous year but still above the average Comex price of $330 an ounce.

The company said it was on track to meet its 1993 production target of 1.5m ounces. Its five mines produced a total of 354,800 ounces in the quarter.

Texas Instruments doubles net income

By Martin Dickson in New York

TEXAS Instruments, the US semiconductor and electronics manufacturer, yesterday reported a more than doubling of first-quarter net income, due to strong growth in its semiconductor business.

The company reported net income of $85m, or 89 cents a share, before accounting changes, compared with $40m, or 35 cents, in the same period of last year. Revenues totalled $1.88bn, up from $1.69bn.

Profits from operations totalled $140m, compared with $63m. The company said this rise was "driven by faster-than-market revenue growth in application-specific products" in the semiconductor business.

The company's defence electronics business had maintained stable margins at levels that met TI's goals for return on assets, the company added. Its information technology business operated at a small loss for the quarter.

Mr Jerry Junkins, chairman, said the company expected 25 per cent growth in US semiconductor demand, 28 per cent growth in Asian-Pacific, and 13 per cent growth in Europe.

The world semiconductor market could reach at least $70bn in 1993, up 17 per cent from 1992, and "it could go higher based on the current strength of orders in the US".

In view of this, the company planned capital spending of $650m in 1993, about $220m more than in 1992, with the emphasis on equipment to support the manufacture of differentiated products.

Mr Junkins said a key element of the company's semiconductor strategy was to increase the percentage of differentiated products in the portfolio, which would make its product mix better aligned with growth markets.

In the first quarter, the company's results included royalty revenues of $94m, including one-time royalties of $22m from previously announced agreements with personal computer manufacturers.

CSX to take $93m charge

CSX, the US transportation group, is to take a pre-tax charge of about $93m, equal to $61m after tax, to reflect restructuring costs incurred by its container-shipping subsidiary, Sea-Land Service, Reuter reports. The group said Sea-Land was taking "decisive steps to lower its costs in the challenging Atlantic trade, while further streamlining operations and functions throughout the company." The plans include the elimination of up to 600 jobs.

Gillette raises earnings before account changes

By Nikki Tait in New York

GILLETTE, the shaving and consumer products group, yesterday announced that after-tax profits rose to $142.3m in the first quarter of 1993 before accounting-related changes. This compared with $129.4m last year.

After a $138.6m charge, mainly stemming from the new accounting treatment of post-retirement benefits, net profits in the first quarter of 1993 fell to $3.7m. Earnings per share, ahead of accounting changes, increased by 10.3 per cent, at 64 cents. Gillette also announced a 16.7 per cent increase in the company's dividend.

Gillette's first-quarter sales showed little change year-on-year at $1.22bn. Operating profits were up by $262.4m, a 6 per cent rise.

The company said the first quarter reflected strong blade and razor sales in the US and in Latin America, but continued weakness in Europe and expenses related to the launch of its new Gillette Series male toiletries line.

Posco may face anti-trust rules

By John Burton in Seoul

POHANG Iron and Steel (Posco), South Korea's largest steel company, may become subject to anti-trust restrictions, a government official said yesterday.

Posco is exempt from the anti-trust rules because it is state-run. The government recently introduced regulations limiting cross-holdings among subsidiaries belonging to chaebol, the country's 30 biggest business groups.

It also imposed a ceiling on mutual loan guarantees among chaebol subsidiaries as part of its policy to limit the expansion of the business groups and reduce their dominance in the nation's economy.

Mr Han Lee-huan, chairman of the Fair Trade Commission, said there was little reason to exempt Posco from these restrictions since it was the fifth or sixth-largest Korean company in terms of assets, with 20 subsidiaries.

Posco, which enjoyed strong backing from previous governments, has come under official scrutiny recently after its founder, Mr Park Tae-joon, opposed the election of the country's new president, Mr Kim Young-sam.

The government recently launched a tax investigation of Posco for possible illegal use of company funds for political purposes. The tax audit, which has not been completed, has already forced the resignation of Mr Park and other senior executives from Posco.

Microsoft leaps 35.8% to $243m for quarter

By Karen Zagor in New York

MICROSOFT, the leading US personal computer software company, beat analysts' expectations with a 35.8 per cent jump in third-quarter net profits to $243m, or 80 cents a share, helped by the popularity of its Microsoft Windows and MS-DOS operating systems.

A year earlier, Microsoft earned $179m, or 69 cents. Revenues in the three months to March 31 soared nearly 41 per to $958m. Most analysts had expected earnings of about 78 cents a share.

For the first nine months, Microsoft earned $688m, or $2.28 a share, up 38.1 per cent from $498m, or $1.70, a year earlier. Nine-month revenues grew nearly 40 per cent, to $2.71bn from $1.94bn.

Mr Frank Gaudette, chief financial officer, said: "We have expanded core businesses, introduced new product lines and maintained our emphasis on operating efficiencies."

Microsoft has licensed more than 25m copies of its Windows operating system since its debut in 1990. Windows is pre-installed in about 60 per cent of personal computers.

Earlier, Microsoft announced an agreement to work with Compaq Computer to make personal computers which are easier to use.

Bronfman companies alter their financial relationship

By Bernard Simon in Toronto

SEVERAL senior holding companies controlled by Toronto's Bronfman family have announced a restructuring of their financial arrangements with one another.

The changes, the start of an effort to simplify their web of interlocking private and public companies, will relieve Edper Enterprises and Hees International Bancorp of contingent obligations relating to Brascan Holdings.

Brascan is a private company which holds 49 per cent of Brascan Ltd, a publicly-listed Bronfman holding company.

The changes are complex, reflecting the intricate cross-holdings and financing arrangements within the Bronfman empire.

As a first step, Edper will contribute C$279m (US$221.40m) of junior preferred shares to Brascan Holdings. Edper will also have the right over five years to require Hees to buy its common share holdings in Brascan for Hees common shares or an equivalent security.

Hees, which owns C$765m of Brascan senior preferred shares, will be released from an obligation to buy Brascan preferred shares to fund future purchases of Brascan equity securities.

Hees will also be assured of a more stable earnings and dividend flow from its investment in Brascan.

The complex structure of the Bronfman empire has made it difficult for outsiders to judge the extent of recent financial pressures on the group. This year it has disposed of some of its most prized assets, including controlling stakes in John Labatt, the brewer and entertainment group, and MacMillan Bloedel, the forestry company.

As a result of the latest changes, Edper has reduced the carrying value of its 50.1 per cent stake in Brascan. The C$140m charge pushed Edper to a C$298.6m loss in 1992, compared with net earnings of C$19.4m the previous year.

On completion of the transaction, expected in early May, Hees will record a corresponding gain.

Moody's downgrades Matsushita debt rating

By Michiyo Nakamoto in Tokyo

MOODY'S has downgraded the long-term debt ratings of Matsushita Electric Industrial, the world's largest consumer electronics manufacturer. It was one of just two Japanese companies which had held a triple-A rating from the US credit rating agency.

Matsushita's rating, as well as that of three of its subsidiaries, was downgraded to Aa2 from Aaa. The subsidiaries are MCA Funding, Panasonic Capital and Panasonic Finance.

Moody's also downgraded the long-term debt rating of MCA, the US entertainment group owned by Matsushita but not financially supported by it, to A2 from A1.

The revised ratings reflect Moody's concern about weakening fundamentals in Matsushita's core consumer electronics business. Sluggish retail demand in Japan is expected to continue to put pressure on this business, while the depressed capital expenditure is likely to hit the group's information, communication and industrial equipment businesses, Moody's said.

Japan's consumer electronics market has been further depressed by a lack of new products.

In November, Matsushita reported a 66 per cent drop in pre-tax profits for the first half of the year to March 1993.

Profits down at SA Gold Fields' mines despite price rise

By Philip Gawith in Johannesburg

GOLD mines in the South African Gold Fields group performed disappointingly during the March quarter, with net profits slightly lower despite a firmer gold price and successful containment of costs. After-tax profits fell to R267.4m ($84m) from R270.2m in the December quarter.

At the operating level, however, the group improved, with operating profits rising by 9.5 per cent to R330.8m from R302m.

The quantity of gold produced was largely unchanged at 30,575kg compared with 30,661kg, but sales revenue rose to R1bn from R981.9m due to a better average gold price of R32,716 per kg, up from R31,988 per kg. Production costs fell to R21,934 per kg from 22,175 per kg.

The group results suffered, however, from a fall in net sundry revenue to R13.98m from R42.5m in the previous quarter, when the figure was boosted by seasonal dividend payments and fire insurance pay-outs.

Driefontein, the group's largest mine, had a better working quarter, with East Driefontein recovering from a poor December performance. Mr Alan Munro, executive director, said West Driefontein had shown an improvement, "but not enough". Net profits rose to R139.7m from R137.4m.

At the Kloof mine, a good performance from the Kloof division was offset by a R10.5m operating loss at the recently-integrated Libanon division. This was the result of disruption to production caused by a fire. Mr Munro said he was determined and confident that the division would soon be paying its own way.

Fires also affected production at Deelkraal, which, in Mr Munro's words, had "a very poor quarter". A 20 per cent decline in the ore milled fed through to the bottom line, with after-tax profit falling to R3.4m from R13.7m the previous quarter. This compares to capital expenditure during the quarter of R10.6m.

The marginal Doornfontein mine turned a R6m loss the previous quarter into a R3.4m profit thanks to clean-up operations. The mine is heading towards becoming a surface dump operation, in which old waste dumps are reworked to extract residual gold, and Mr Munro said the possibility of closure remained strong.

Lippo's HK arm ahead in a year of changes

By Simon Davies in Hong Kong

LIPPO Ltd, the listed holding company of Indonesian tycoon Mr Mochtar Riady's Hong Kong empire, announced a 1,202 per cent increase in net profits to HK$211.92m (US$27.29m) in 1992, up from HK$16.2m in 1991.

During the year, the group underwent heavy restructuring. It hived off the Hong Kong Chinese Bank as a separate listing, and purchased controlling stakes in four other Hong Kong-listed companies, Hong Kong China Asia Securities, Morning Star and Hong Kong Building and Loan.

Expansion was funded primarily through the issue of new shares. Mr Li Ka-shing's Cheung Kong group was issued with HK$300m in convertible loan stock during the year. Further equity or convertible placements were made to the Riady family, to China Resources, the mainland group, and to outside investors.

Group debt amounted to HK$161m, compared with shareholders funds of HK$2.3bn, so there should be no need for further equity financing in the short-term, he said. The directors announced a final dividend of 3.5 cents a share, making a full-year payout of 6 cents, up from 5 cents a share in 1991.

Gannett reports $66m earnings

By Alan Friedman in New York

IMPROVED newspaper advertising revenues helped Gannett, the US publisher of 82 daily newspapers - including USA Today - to achieve a first-quarter 1993 net profit of $66.3m, or 46 cents a share, compared with a loss in the same quarter of 1992 of $91.4m, or 63 cents a share.

The company's 1992 first-quarter loss occurred after $146m of accounting charges. With these stripped out, the 1993 first-quarter net profit was 22 per cent higher than the level a year before.

Gannett's group operating revenues grew by 7 per cent to $844.7m year-on-year, while operating income was $120.1m in the first quarter, some 16 per cent higher than a year ago.

Newspaper advertising revenues were 9 per cent higher in the 1993 first quarter, at $465m. Classified advertising volume was nearly 6 per cent better in the quarter.

Signs that the US media industry is emerging from the worst of the recession were apparent at USA Today, the popular national daily paper. USA Today's paid advertising pages rose by 29 per cent year-on-year, while advertising revenues were 21 per cent better.

Broadcasting revenues at Gannett, which includes 10 television and 15 radio stations in the US, grew by 5 per cent, to $82.9m.

Outdoor advertising revenues, a Gannett speciality, declined by 8 per cent, to $47.8m. This reflected in part the sale of a business in Arizona.

South African bank buys Midlantic for $15m

By Philip Gawith

FIRST National Bank (FNB), South Africa's third-largest bank, has paid $15m to acquire the Hong Kong-based bank Midlantic (Asia).

This follows the FNB's recent purchase of Henry Ansbacher Holdings, the UK merchant bank, and its move to set up a branch in Zurich.

Mr Barry Swart, FNB managing director, commenting on the Midlantic acquisition, said: "With increasing trading opportunities between South Africa and Asia, this acquisition forms a key component of FNB's internationalisation strategy."

The primary focus of Midlantic's Asian activities is trade finance. It has an asset base of $75m, is profitable, and has customers in Hong Kong's main manufacturing and trading industries.

FNB says Midlantic's activities will shift more towards South African trade finance than in the past.

The deal, which takes immediate effect, was paid for through the financial rand.

The name and corporated identity of the Hong Kong bank - previously owned by Midlantic National Bank of Edison, New Jersey - will be changed to reflect the new parentage.

Tax uncertainty delays dividends

THREE investment holding companies in South Africa's Anglo American group - Anamint, Amgold and New Central Wits - have delayed announcing results and dividends for the latest financial year due to lack of clarity over the application of a new tax, Philip Gawith reports.

Directors said dividend declarations should await clarification of secondary tax on companies introduced in South Africa's budget last month.

Alcan stays in red with loss of $20m

By Robert Gibbens in Montreal

ALCAN Aluminium, the Canadian aluminium producer, has fallen deeper into the red with net losses of US$20m, or 11 cents a share, for the first quarter of 1993, compared with losses of $15m, or 9 cents, a year earlier.

The group's first-quarter sales fell by 6 per cent to $1.73bn, due to depressed fabricated metal prices.

The recession in Japan affected Alcan's results. Its share of equity-accounted companies, including Nippon Light Metal, the Japanese associate, resulted in a $2m loss, against a $22m profit.

In Canada, where Alcan produces most of its ingot, the group's losses were substantially lower. US operations, which include primary, fabricated and rolled products, showed a small loss against a slight profit, but Brazil improved.

The European units weakened, especially in Italy and France, because of the recession.

Shipments of fabricated products were down 3 per cent and average realised prices slipped 12 per cent. Ingot shipments were lower, but average prices received gained a little.

Mr David Morton, chairman, said aluminium was likely to remain over-supplied in the near term, with depressed prices. Cost reduction and productivity gains remained the top priority.

Australian miner to sell oil unit

NORMANDY Poseidon, the diversified Australian gold mining house, has proposed the sale of its controlling 42.8 per cent shareholding in Command Petroleum, its petroleum offshoot, to Snyder Oil, a US oil group, for A$25.7m (US$18.3m), writes Bruce Jacques in Sydney.

The transaction - at A$28 cents a share, against yesterday's closing price of A$27 cents on the Australian stock exchange - needs the approval of Command shareholders.

George Weston Foods up 5.6%

GEORGE Weston Foods, the Australian biscuit-maker, has declared a steady interim dividend of 9.5 cents a share after a modest earnings rise in the six months to January, writes Bruce Jacques.

The company, a subsidiary of Associated British Foods, lifted net profits by 5.6 per cent to A$25.7m (US$18m) from A$24.3m on a 4.5 per cent rise in revenue to A$502.5m.

The result included a A$623m abnormal gain from the sale of freehold properties.

INTERNATIONAL CAPITAL MARKETS

Treasuries recover position after jobs data setback

By Patrick Harverson in New York and Sara Webb in London

AFTER losing ground in early trading on news of a bigger-than-expected fall in weekly jobless claims, US Treasury prices rallied to stand little changed at mid-session.

By midday, the benchmark 30-year government bond was steady at 104$\frac{28}{32}$, yielding 6.747 per cent. At the short end of the market, the two-year note was also unchanged, at 100$\frac{4}{32}$, to yield 3.757 per cent.

Prices weakened early on after the Labor department announced that claims for state unemployment insurance fell 38,000 during the first full week of April. Analysts had been looking for a decline of somewhere between 9,000 and 15,000, so the announcement prompted a rapid, if not particularly substantial, sell-off.

Treasuries recovered their lost ground later in the morning, however, with the long end supported by some switching out of five-year notes and into bonds.

GOVERNMENT BONDS

■ SPANISH government bonds gained about a quarter of a point, shrugging off unfavourable comments from Mr Helmut Schlesinger, the Bundesbank president.

Mr Schlesinger was reported as saying that if high interest rates cannot support the weaker currencies in the European exchange rate mechanism, a devaluation may be the only solution.

"The weaker currencies, in particular, are more prone to inflationary expectations and must, therefore, offer higher interest rates to avoid coming under greater pressure," Mr Schlesinger said.

"But if the tensions become too strong, only a devaluation of their own currencies may be of help, as has happened with respect to a number of currencies between September 1992 and February 1993."

Dealers interpreted the comments as a reference to the peseta which has come under pressure since Spain called an early election.

The currency weakened slightly yesterday despite intervention by the Bank of Spain. The bond market edged up with the Meff futures contract rising from 85.88 to 86.11.

■ GERMAN government bonds slipped lower, with much of the selling concentrated in the five-year area.

Dealers said market participants expect the Bundesbank to continue with its policy of allowing small cuts in interest rates. Mr Helmut Schlesinger, the Bundesbank president, warned that fast rate cuts could damage investor faith in the Bundesbank's anti-inflation policy.

In addition, the market expects to see further supply next week with a new Treuhand bond issue. Dealers expect between DM6bn and DM10bn of 10-year bonds to be issued.

The Liffe bund futures contract, which opened at 96.24, rose to a high of 96.47 and ended the day at around 96.21.

■ TRADING in UK government bonds was volatile yesterday, and prices ended lower or unchanged on a combination of supply and economic factors.

After a strong start, gilt prices fell back quite sharply. The Liffe gilt futures contract opened at 106.15, rose to a high of 106.31, and then fell back to 106.05 before ending at 106.10.

Dealers said few investors wanted to buy before the release of today's inflation figures. In addition, the market expects the Bank of England to announce plans for its next gilt auction this afternoon, with the five-to-seven year maturities seen as a likely area for new issuance. However, some dealers have suggested that the Bank may choose to auction a 10-year stock next.

■ JAPANESE government bonds closed lower, having traded in a relatively narrow range yesterday.

The benchmark No 145 issue opened with a yield of 4.195 per cent and traded in a range of 4.19 – 4.265 per cent before ending at 4.22 per cent. The June futures contract ended at 108.61, compared with its previous close of 108.63.

The yen continued to strengthen against the dollar yesterday, prompted by a Washington Post report that prime minister Kiichi Miyazawa favours allowing the yen to rise further. The dollar fell from a Tokyo high of Y114.08 to Y113.28.

Separately, Reuters quoted Mr Yasushi Mieno, governor of the Bank of Japan, as saying that the recent appreciation of the yen has been too drastic and comes at a bad time for Japan's recovery. He said the central bank would not rule out a future rate cut.

FT FIXED INTEREST INDICES

	April 15	April 14	April 13	April 8	April 7	Year ago	High *	Low *
Govt Secs (UK)	96.91	97.12	97.60	97.20	97.20	88.57	98.04	93.28
Fixed Interest	112.86	113.01	113.02	112.95	112.88	102.52	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	April 14	April 13	April 8	April 7	April 6
Gilt Edged Bargains	107.6	103.5	86.9	98.6	102.5
5-Day average	99.8	97.0	96.8	104.5	113.1

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	116.8503	-0.601	7.49	7.56	7.71
BELGIUM		9.000	03/03	111.1500	-0.200	7.38	7.36	7.28
CANADA *		7.250	06/03	99.1500	+0.150	7.37	7.54	7.65
DENMARK		8.000	05/03	101.3500	-	7.80	7.90	8.19
FRANCE	BTAN	8.000	05/98	104.5324	-0.259	6.90	6.92	7.10
	OAT	8.500	04/03	109.8000	-0.130	7.10	7.13	7.32
GERMANY		7.125	12/02	103.7450	-0.050	6.58	6.60	6.57
ITALY		11.500	03/03	92.5100	-0.150	13.27†	13.31	12.80
JAPAN	No 119	4.800	06/99	102.8947	-0.024	4.21	4.30	3.91
	No 145	5.500	03/02	108.2327	-0.213	4.23	4.33	4.01
NETHERLANDS		7.000	02/03	103.3600	-0.030	6.52	6.58	6.49
SPAIN		10.300	06/02	92.6814	+0.210	11.62	11.69	11.31
UK GILTS		7.250	03/98	101-28	-	6.79	6.69	6.50
		8.000	06/03	102-09	+5/32	7.67	7.68	7.61
		9.000	10/08	107-26	+12/32	8.10	8.11	8.16
US TREASURY *		6.250	02/03	102-17	-	5.90	6.12	6.11
		7.125	02/23	104-18	+4/32	6.76	6.89	6.89
ECU (French Govt)		8.000	04/03	102.9300	+0.030	7.57	7.50	7.49

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Austrian stock market reform plan approved

By Ian Rodger in Zurich

THE AUSTRIAN stock market, which has been sullied by several insider trading scandals in recent years, is about to receive a strong dose of reform.

Within the next few months, insider trading is to be made a criminal offence, punishable by up to two years in prison.

This, and other reforms aimed at making the country's capital markets more transparent and efficient, were agreed yesterday by a strategy group chaired by Mr Ferdinand Lacina, the finance minister.

The reform process has acquired urgency in recent months as investor confidence in the Austrian stock market has continued to ebb. The Austrian market has underperformed most leading world markets since early 1990, even though the country's economy has been one of the most buoyant in Europe.

Mr Klaus Liebscher, president of the Börse, said yesterday that all his priorities for improving the credibility and liquidity of the capital markets had been accepted.

The first step will be an amendment to the Börse Law making insider trading a criminal offence. It is expected to pass parliament in a few weeks and be introduced during the summer. It will also oblige the police to take action if Börse officials report a suspicious case, and will require banks to reveal the identity of account holders if requested by a judge.

Mr Liebscher said the Börse would soon introduce a code of behaviour for its own members aimed at preventing insider abuses, including so-called front running, the practice of placing a house order in advance of a client order that is expected to move the price.

The Börse would also raise listed companies' disclosure requirements, notably to include interim and ultimately quarterly reports. And it would set minimum levels of shares that companies must make available to the public to maintain their listing. Measures to improve the rights of minority shareholders were being discussed.

It hoped to have a fully computerised trading system in place by mid-1994. Then a market-making system, in which brokers' own account and client orders were clearly identified, could be established.

The committee agreed to set up a securities industry supervisory body, and will spend the next few months studying experience in other countries.

New issues focus on continental European currencies

By Tracy Corrigan

NEW EUROBOND issues yesterday were concentrated on continental European currencies, as volatile conditions in the gilts and US Treasuries market held activity in the sterling and dollar sectors at bay.

Positive sentiment on the French bond market encouraged buying of a FFr2bn long-dated issue for Electricite de France (EDF), the French electricity utility. The deal, which matures in 2012, took advantage of stronger demand for long-dated paper following the steepening of the French government bond yield curve.

Following the French election and the latest money-market rate cuts on Tuesday, the French yield curve is now positive, except at the short end, with 20-year yields at 7.40, compared with 7.12 per cent for 10-year bonds. The yield curve is expected to steepen further, but additional rate cuts are likely to benefit the long end of the market, if less markedly than shorter-dated bonds.

The EDF deal was launched at a yield spread of 33 basis points over the comparable OAT yield, but strong buying by European institutions, which are mostly bullish on the bond and currency markets, helped the spread tighten to 31 basis points.

INTERNATIONAL BONDS

In the D-Mark sector, a DM200m issue for McDonald's Corporation, the US fast-food chain, caught retail investors' attention. Although the spread of 30 basis points above the Bobl 105 series German government bond did not appear unusually generous for a double-A-rated credit, the rarity of McDonald's debt, and its status as a household name, sparked a rush for paper.

The issue traded as tight as seven basis points over the Bobl, before easing back to 14 basis points, according to lead-manager Deutsche Bank.

The deal was snapped up by retail investors in Belgium, Luxembourg and Switzerland, dealers said.

A DM200m five-year deal for Bancomext, the Mexican bank, was also targetted at retail investors, but was considered rather aggressively priced for a Latin American credit.

In the dollar sector, a debut $100m issue for Corporacion Andina De Fomento (CAF), the Latin-American supranational agency which finances trade and infrastructure, was also the first straight offering by a Latin American borrower with an investment-grade rating. CAF was rated triple-B by Standard & Poor's, the US rating agency, last month.

Previously, CAF, which is jointly owned by the Andean pact countries, funded itself through the syndicated loans market, but now plans to diversify its investor base. A small dollar offering in the domestic Colombian market is also being prepared.

Lead-manager Chemical Investment Bank reported good demand from institutional investors, encouraged by the investment-grade credit.

A further Latin American deal, for Loma Negra, Argentina's largest cement company, is expected to be launched today. The $85m issue of five-year bonds is expected to be priced to yield 480 basis points over the comparable US Treasury issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Corp.Andina de Fomento#	100	5.25	99.3825	Apr.1998	1.25/0.875	Chemical Investment Bank
YEN						
Toyota Tsusho Finance Intl.	5bn	4.1	100.2	Jul.1995	0.25/0.2	Sanwa International
D-MARKS						
McDonald's Corp.	200	6.25	101.625	May.1998	2/1.25	Deutsche Bank
Bancomext (Cayman Branch)	200	8	101.85	May.1998	2/1.25	Bayerische Landesbank
FRENCH FRANCS						
Electricité de France	2bn	7.5	98.037	May.2012	0.5/0.25	CCF
ITALIAN LIRA						
Bayerische Landesbank	150bn	11	101.475	May.2003	2/1.25	Banca di Roma
ECUS						
Eutelsat	100	7.5	101.45	May.1998	1.875/1.725	Paribas Capital Markets
GUILDERS						
IADB	300	6.625	100.85	May.2003	1/0.625	ABN Amro Bank
SWISS FRANCS						
Kamigumi Co.(a)*Φ	300	0.625	100	May.1997	-	Nomura Bank(Switz.)

Final terms and non-callable unless stated. *Private placement. ΦWith equity warrants. #Semi-annual coupon. a) Final terms fixed on 21/4/93. Callable on 6/5/95 at 102% declining by 0.5% semi-annually.

UK engineering group in $40m private placement

By Richard Waters

VINTEN, a small UK-based engineering company, has raised $40m of 10-year money through the US private placement market to refinance all its outstanding debt.

The deal is the latest from a growing line of small European companies which have secured long-term dollar finance privately from US insurance companies at rates below those available elsewhere.

Mr Malcolm Baggott, chief executive, said that the company had refinanced its entire short and medium-term debt, a large part of it taken on as a result of two acquisitions this year, as well as raising additional cash. The money has been provided by a single unnamed US insurance company.

The 10-year notes issued by Vinten pay a yield of 6.72 per cent, 120 basis points above Treasuries. Vinten turned to the US private placement market in part because it could not secure such long-term finance any other way.

"Our view is that now is as good a time as any to fix long-term borrowing," Mr Baggott said.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on April 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	108	105$\frac{5}{8}$		4.23
ALBERTA PROVINCE 9 3/8 95	600	111	111$\frac{1}{2}$		4.65
AUSTRIA 8 1/2 00	400	113$\frac{3}{4}$	114$\frac{1}{4}$		5.97
BANK OF TOKYO 8 3/8 96	100	108$\frac{1}{2}$	109$\frac{1}{8}$		5.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	98$\frac{3}{4}$	99$\frac{3}{4}$		8.10
ECSC 7 3/4 94 LFr	1000	100	100$\frac{3}{4}$		7.71
WORLD BANK 8 98 LFr	1000	101$\frac{1}{2}$	102$\frac{1}{2}$		7.47
ENERGIE BEHEER 8 3/4 98 Fl	500	110$\frac{1}{4}$	110$\frac{5}{8}$		6.51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Further sections (Deutsche Mark Straights, Swiss Franc Straights, Yen Straights, Floating Rate Notes, Convertible Bonds): [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	68	7
Other Fixed Interest	0	3	12
Commercial, Industrial	254	275	875
Financial & Property	143	105	548
Oil & Gas	14	12	58
Plantations	0	2	6
Mines	22	29	84
Others	45	20	60
Totals	480	514	1,650

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	$\frac{1}{4}$	$\frac{1}{2}$	Anglo Utd Warrants	$\frac{1}{2}$		-	-	-	-
170	F.P.	-	208	193	Brown (N)	207		W6.0	2.4	3.6	14.7
150	F.P.	-	188	153	David Lloyd Leis	176		b1.95	4.8	1.4	17.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
285	Nil	5/5	63pm	61pm	Bemrose	62pm	
30	Nil	17/5	11pm	9pm	§Bilston & Battersea	9pm	
44	Nil	10/5	4$\frac{1}{2}$pm	1$\frac{1}{2}$pm	Clyde Petroleum	2$\frac{1}{4}$pm	-$\frac{1}{4}$
10	Nil	11/5	$\frac{1}{4}$pm	$\frac{1}{4}$pm	§Chosr	$\frac{1}{4}$pm	
100	Nil	29/4	12pm	6pm	Ingham	9pm	+3
285	Nil	13/5	76pm	59pm	Low & Bonar	60pm	+1
180	Nil	13/5	64pm	19pm	Medeva	30pm	+8$\frac{1}{2}$
150	Nil	28/5	21pm	15pm	Slough Estates	15pm	-4

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ¥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings April 5
- Last Dealings April 16
- Last Declarations July 15
- For settlement July 26

3-month call rate indications are shown in Saturday editions.

Calls in: ASDA, Brent Walker Prf., and Tadpole Tech. Puts & Calls: BM Group and Kunick.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
Allied Lyons (*557)	550	32	43	51	28	37	45
	600	13	24	30	65	68	74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar (*79)	74	11	14	-	6	7	-
	83	6$\frac{1}{2}$	10	-	10$\frac{1}{2}$	14	-
Utd. Biscuits (*384)	360	40	50	56	10	17	22
	390	24	32	40	22	31	37
Unilever (*1123)	1100	67	91	107	25	35	42
	1150	40	62	78	50	58	65

Option		CALLS May	Aug	Nov	PUTS May	Aug	Nov
BAA (*784)	750	48	60	75	6	22	29
	800	15	32	48	28	44	52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit Aero (*273)	260	26	40$\frac{1}{2}$	51$\frac{1}{2}$	9$\frac{1}{2}$	23$\frac{1}{2}$	33$\frac{1}{2}$
	280	16	30$\frac{1}{2}$	42$\frac{1}{2}$	21$\frac{1}{2}$	34	44$\frac{1}{2}$
Blue Circle (*240)	240	11	19	26	19	25	31
	260	5	13	18	34	38	43
British Gas (*310)	300	16	21	25	10$\frac{1}{2}$	15	21
	330	3	10	12$\frac{1}{2}$	32	34	40
Dixons (*198)	180	27	32	37	6	13	16
	200	15	21	27	14	20	26
Eurotunnel (*465)	460	47	67	84	28	43	55
	500	27	50	67	50	65	77

Option		CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
Glaxo (*562)	550	45	66	75	25	39	57
	600	23	43	53	55	67	85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO FT-SE INDEX (*2840): [illegible]

PUTS								
Apr	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	12	62	112	162
May	6	12	15	30	50	78	117	162
Jun	14	21	31	47	68	94	127	168
Jul †	23	29	43	60	81	107	137	174
Dec	-	80	-	115	-	162	-	220

April 15 Total Contracts 24,660. Calls 15,340 Puts 9,320. FT-SE Index Calls 2,518 Puts 1,865. Euro FT-SE Calls 2,686 Puts 2,875. *Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu Apr 15	Day's change %	Wed Apr 14	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	128.14	-0.13	128.31	1.55	3.61
2	5-15 years (24)	147.95	-0.19	148.57	0.90	5.22
3	Over 15 years (8)	159.59	-0.17	159.86	1.92	3.10
4	Irredeemables (6)	183.66	-0.26	184.04	3.99	1.49
5	All stocks (61)	144.44	-0.17	144.65	1.31	4.32
	Index-Linked					
6	Up to 5 years (2)	183.67	+0.02	183.64	0.18	1.82
7	Over 5 years (12)	174.38	-0.15	174.63	0.53	1.72
8	All stocks (14)	174.47	-0.13	174.71	0.48	1.75
9	Debs & Loans (66)	129.52	-0.16	129.72	2.33	3.08

	AVERAGE GROSS REDEMPTION YIELDS		Thu Apr 15	Wed Apr 14	Year ago (approx.)
	British Government				
1	Low	5 years	6.80	6.77	8.36
2	Coupons	15 years	7.75	7.73	9.02
3	(0%-7¾%)	20 years	7.98	7.96	9.03
4	Medium	5 years	7.85	7.80	9.27
5	Coupons	15 years	8.17	8.16	9.07
6	(8%-10¾%)	20 years	8.31	8.29	9.05
7	High	5 years	7.27	7.21	9.50
8	Coupons	15 years	8.42	8.39	9.18
9	(11%-)	20 years	8.48	8.45	9.12
10	Irredeemables (Flat Yield)		8.36	8.33	9.22
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.30	2.39	3.97
12	Inflation rate 5%	Over 5 yrs.	3.43	3.42	4.54
13	Inflation rate 10%	Up to 5 yrs.	1.47	1.46	3.24
14	Inflation rate 10%	Over 5 yrs.	3.26	3.25	4.34
15	Debs &	5 years	9.00	8.64	10.62
16	Loans	15 years	9.25	9.23	10.49
17		25 years	9.47	9.45	10.38

German side steadies RMC at £167m

By Maggie Urry

STRONG GROWTH in profits from Germany almost offset reductions in RMC Group's other locations to leave pre-tax profits for 1992 at £166.6m, barely changed from the previous £167.4m.

The ready-mixed concrete group has benefited from high levels of house building, reflecting immigration to western Germany and the improvement in infrastructure in eastern Germany.

RMC also announced that Mr Jim Owen, group managing director, will become executive chairman on May 1. Mr John Camden, the current chairman who has been with the group since 1952, is retiring because of ill health but will become president. Mr Peter Young, deputy managing director, will step up to Mr Owen's job.

Mr Owen said the high level of demand for housing in Germany would continue to support the operations there, although margins of 9.7 per cent were already high. Possibilities in eastern Germany were "very exciting indeed".

Operating profits from Germany rose 36 per cent to £123.2m, making up two-thirds of the group total of £186.9m, down 4 per cent from £194.6m in 1991. The rise in profits from associates, which includes RMC's Berlin operation, from £6.7m to £14.1m, also reflected strong demand in Germany.

Figures also gained from translation at lower sterling rates. RMC uses year-end exchange rates, and the effect of the pound's fall was to add 4p to earnings per share of 31.2p (36p), down 13 per cent. Earnings also suffered through a rise in minority interests to £46.1m (£38.5m), again reflecting the strength of German profits.

The three other geographical areas suffered falls. In the UK operating profits fell 71 per cent to £10.2m (£34.9m) although turnover was only 5 per cent lower at £859.6m. In 1989 UK profits were £132m.

Mr John Cooper, head of the UK concrete operations, said since the market peak RMC had taken 352 truck mixers off the road, cutting capacity by about 30 per cent.

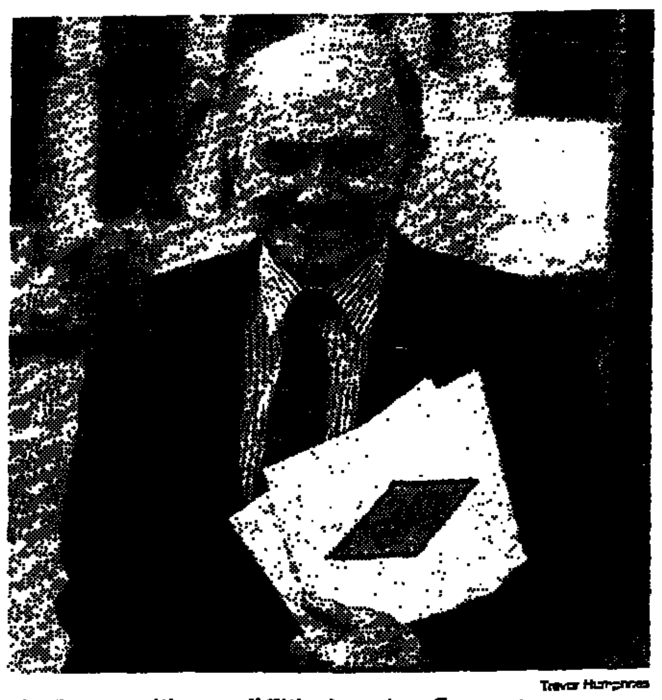
Operating profits from other EC countries dropped 28 per cent to £39.7m (£55.1m). The completion of large projects in Spain had cut volumes by 14-15 per cent and a further fall was expected in 1993. Demand in France had weakened too.

Profits from outside the EC fell to £13.8m (£14.2m).

Mr Derek Jenkins, finance director, said that gearing at 31 per cent (35 per cent) was not a problem. Interest charges of £34.4m (£33.9m) were covered 5.8 times by operating profits. He said that capital expenditure had been cut to £114.2m from £248m in 1991 and £311m in 1990. In 1993 it will be about £125m. The depreciation charge was £131.7m (£117.5m).

An unchanged final dividend of 13.4p is proposed to give a maintained total of 20p.

See Lex



Trevor Humphries

Jim Owen: exciting possibilities in eastern Germany

Laura Ashley back with £1.8m but passes dividend

By Neil Buckley

LAURA ASHLEY, the international clothing and home furnishings group, yesterday reported its first pre-tax profit since 1989, in spite of a management shake-up which resulted in a large operating loss in its US division.

The group, which sees itself as a "lifestyle brand" rather than a retailer, made a profit of £1.8m before tax for the year to January 30, compared with a £9.1m loss after restructuring costs last time.

Earnings were 0.34p (3.86p losses) but the company once again decided that it was "prudent" to pass its dividend.

"Whilst it's only a modest profit, it's obviously a milestone," said Mr Jim Maxmin, the American who became chief executive in 1991.

But Mr Maxmin said Laura Ashley's performance did not reflect a general pick-up in high street sales, where he claimed the improvement experienced by some retailers was due to heavy discounting.

Turnover fell to £248m (£263m), but Mr Maxmin said this reflected the group's concentration on building gross margins rather than turnover.

A reorganisation of its US division, including cutting buying to reduce a large stock surplus, led to the virtual collapse of its haphazard distribution system, and the division plunged to a £6.9m operating loss.

But Mr Maxmin insisted yesterday that the problems in the US were operational, rather than problems with the Laura Ashley brand. He was determined to bring them under control by the end of the year, using the same "Simplify, Focus, Act" formula employed in the UK and Europe.

The US loss contributed to a £2m reduction in group operating profits to £1.1m.

Profits from associated businesses also declined from £1.9m to £1.5m, reflecting the high costs of opening shops in Asia, which are carried by Laura Ashley's Japanese joint venture. But interest payments fell from £2.4m to £0.8m.

Operating profits in the UK retail business improved from £1.4m to £5.6m. A strong turnround in the second half saw garment sales increase 3 per cent, following a 14 per cent fall in the first half. Sales in the current year were running some 30 per cent ahead of last year, Mr Maxmin said.

Furnishings sales grew in the second half for the first time since 1988, and were currently 9 per cent ahead.

In Europe, like-for-like sales – which exclude those in newly-opened stores – improved 12 per cent for garments and 4 per cent for furnishings.

See Lex

Blue Circle Industries slips 4.9% to £93.8m

By Paul Taylor

BLUE CIRCLE Industries, the cement, central heating and bathroom products group, yesterday reported a 4.9 per cent decline in full year pre-tax profit and a sharp drop in earnings because of higher tax charges.

Mr Keith Orrell-Jones, group managing director, said the results showed BCI's "resilience during adverse trading conditions," but added "we as a board are not satisfied with them."

Pre-tax profits at the group, which has adopted the new FRS 3 accounting standard, fell from a restated £98.6m to £93.8m on turnover which grew by 19.2 per cent to £1.37bn (£1.15bn). The 1991 pre-tax figure was previously reported as £124.2m.

After a substantially higher tax charge of £53.1m (£35.9m) earnings fell to 4p (8.6p). Nevertheless, as promised at the time of the group's £241.6m rights issue last year, the final dividend is being maintaining at 7.5p, giving an unchanged total of 11.25p.

Operating profits, before exceptional costs of £11.8m (£42.1m) and net interest of £25.8m (£22.8m), fell to £131.4m (£163.5m).

Profits from the group's cement, concrete and aggregates businesses slipped by 8 per cent to £98.1m (£106.5m) on turnover of £611.2m (£619.8m). Although the recession in the UK hit demand and profits and the group's South African operations were sold in March, other overseas operations, particularly those in the US and Chile, increased their profit contributions significantly.

Operating profits from the fast growing home products division which had a turnover of £657.8m (£422.2m) increased to £60.2m (£51.1m) including a £12.2m second-half contribution from the recently acquired Celsius French and German central heating businesses.

The property division made an operating loss of £13.6m (£11.6m profits) largely as a result of a write-down of its 50 per cent investment in the Chafford Hundred new town project in Essex.

The £11.8m exceptional charge comprised £62.1m in reorganisation costs in the UK cement business and a £9.4m property write-down, partly offset by £59.7m in profits and provision release from the sale of businesses in South Africa and the UK.

The group's net debt was largely unchanged at £404.5m (£396.3m), representing gearing of 40.1 per cent.

See Lex

Campari just passes £1m mark

By Catherine Milton

CAMPARI International, the sporting leisure wear group, saw its pre-tax profits drop to £1.11m in 1992, compared with £5.27m in the previous 13 months.

A final dividend of 8.75p maintains the total at 12p, although earnings per share slumped from 39.24p to 0.79p.

The group wrote down stock worth £2m and in future plans to write down stock by 25 per cent per season. It was hit by the devaluation of sterling.

Analysts said the write down was a response to the trend for retailers to operate just-in-time-stocking systems as well as the drop in inflation.

One said: "There was a time when companies could simply carry stock over, and perhaps even get away with selling it at a higher price the following year.

"With retailers turning to demand-driven, just-in-time stocking systems and inflation more stable, that just isn't on any more," he said.

Mr Kit Maunsell, chief executive at Campari, said: "We are taking a different view of the spread at which we sell stock."

Turnover rose to £54.2m (£53.7m). However, 71 per cent of sales were made overseas, and in terms of local currencies turnover was about 4 per cent below 1991.

The net interest charge dropped to £205,000 (£424,000). The company had £4m cash, but a £1m overdraft on a UK subsidiary.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ashley (Laura) ......fin	0.1	-	0.1	0.1	0.1
Blue Circle ......fin	7.5	July 1	7.5	11.25†	11.25
Brooks Service ......fin	nil	-	2.75	nil	4.05
Campari ......fin	8.75	June 19	9	12	12
Forte ......fin	4.75	July 1	7.16	7.5	9.91
Meggitt ......fin	2.53	July 2	2.4	3.78	3.6
Parambe ......fin	0.55	July 2	0.55	1.1	1.1
Rademec ......fin	1	July 2	0.5	1.5	0.5
RMC ......fin	13.4	June 1	13.4	20	20
Russell (Alex) ......fin	nil	-	1.15	1	2.15
Sphere Inv Trust ......int	0.75★	May 28	0.75	-	3.1
Tudor § ......fin	0.25	July 2	nil	0.25†	0.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ★First interim.

Accounting change at TI

By Richard Gourlay

SHARES in TI fell 2p to 301p yesterday as the market pondered the change in the specialist engineer's accounting policies which its annual report revealed this week.

Analysts said there was also concern about the possible affect on acquisitive companies from the Accounting Standards Board's proposed changes to fair value provisioning.

TI said it had capitalised £7.7m of research and development costs in its Dowty arm. It said the policy of writing R&D off through the P&L account remained unchanged elsewhere in the group. Dowty was, however, developing new landing gear for the Airbus A330 and A340. The capitalised R&D was in the accounts within work in progress.

GPA agrees leases for 203 aircraft

By Roland Rudd

GPA Group, the aircraft leasing company, yesterday said that in the 12 months to March 31 it had agreed leases for 203 aircraft, up from 161 the previous year.

Twenty aircraft had been returned because the lessee had defaulted or the lease had expired.

Mr Colm Barrington, GPA's commercial director, said there had been fewer repossessions of aircraft than in the previous year.

Last year, to help lessees in difficulty, GPA rescheduled some lease rentals for periods of four to 24 months.

For the three months to June 30 1992 – the latest publicly available figures – profits from aircraft leasing fell to \$11m, (£7.2m) against \$24m.

The group said that 58 new aircraft were purchased for \$1.5bn and at March 31 it had 483 aircraft in its portfolio.

Glaxo to pay SmithKline Beecham for use of drug

By Paul Abrahams

GLAXO and SmithKline Beecham have settled a patents dispute over Zofran, one of Glaxo's fastest growing drugs. Glaxo has agreed to pay a royalty to SmithKline Beecham for the use of Zofran in its treatments for all forms of nausea and vomiting.

Neither company would give the size of the royalty, but both said it was likely to be a single percentage figure of sales which were £163m for the last six months of 1992.

"This is a very good deal for SmithKline Beecham. The royalties will fall straight through to the bottom line," said Mr Jonathan de Pass, analyst at BZW.

SmithKline Beecham has recently been issued European patents for the use of a class of drugs called 5HT3-antagonists – of which Zofran is a member – for the treatment of nausea and vomiting associated with cancer therapy.

The agreement is particularly good for SmithKline Beecham because it covers all types of nausea, including post-operative nausea. Glaxo's patents for Zofran are not affected.

Meanwhile, Glaxo yesterday sought to play down the significance of a trial suggesting that two cheap generic drugs in combination were more effective than Zofran.

The trial, published in the New England Journal of Medicine, suggested patients on the two drugs, metoclopramide and dexamethasone, had significantly less nausea and vomiting during the first 24 hours than those on Zofran.

Glaxo said the study was in patients receiving weak chemotherapy and up to 50 per cent of patients would not experience nausea anyway.

Mr James Culverwell, analyst at Hoare Govett, said all customers were looking at the cost-effectiveness of drugs. The trial suggested the two drugs might be used in preference to Zofran where weak chemotherapy was involved. Glaxo's shares closed 8p higher at 562p.

Midland chief sold shares

By Robert Peston, Banking Editor

MR BRIAN Pearse, the chief executive of HSBC's Midland Bank subsidiary, sold most of his Midland Bank shares last year for an estimated £1.3m, rather than accept the offer of new HSBC securities, it emerged yesterday.

Midland was acquired last year by HSBC. The annual report of HSBC, which also owns Hongkong and Shanghai Bank and Marine Midland in the US, discloses that in August 1992, Mr Pearse exercised options granted in 1991 to acquire 300,000 Midland Bank ordinary shares.

Of these, he sold 290,000 shares and transferred the balance to a member of his family, who accepted the HSBC takeover offer.

The annual report also discloses that Sir William Purves, HSBC's chairman, was paid HK\$10.6m (£883,000) last year, up 14 per cent on the previous year. He is the highest paid chairman of a UK incorporated commercial bank.

BP chairman defends payment to predecessor

Lord Ashburton, chairman of BP, has defended the £1.5m package of compensation and pension payments made to Mr Robert Horton, his predecessor who was ousted in a boardroom coup last summer.

He told the annual meeting that "the figures are in absolute terms large, and perhaps larger than are easily understood". But, he said, the £780,000 paid in compensation was what Mr Horton could have expected to receive in court proceedings if the company had not agreed to pay.

Some £723,000 was also made to the pension fund to ensure his pension rights were fully funded. The board had decided it would be preferable to make the payment than draw on the fund's surplus.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.09	18.62	18.62
0100	18.03	22.00	24.78
0130	19.17	36.60	40.04
0200	36.19	36.60	38.93
0230	36.19	18.28	18.28
0300	35.00	18.11	18.11
0330	21.00	17.98	17.98
0400	19.17	17.60	17.60
0430	18.48	17.60	17.60
0500	18.23	17.55	17.55
0530	18.27	17.64	17.64
0600	18.31	17.58	17.59
0630	18.40	18.93	18.93
0700	23.78	22.24	25.01
0730	24.65	23.51	26.31
0800	26.84	23.52	26.30
0830	26.28	24.92	27.74
0900	26.85	24.92	27.72
0930	26.85	27.13	29.99
1000	26.85	27.13	29.98
1030	26.85	27.13	30.00
1100	26.85	24.92	27.72
1130	26.85	24.92	27.72
1200	32.53	24.92	27.72
1230	32.52	24.92	27.72
1300	26.44	24.04	26.81
1330	26.84	23.52	26.28
1400	25.32	23.52	26.29
1430	25.19	23.03	25.79
1500	25.19	23.03	25.79
1530	25.19	22.95	25.72
1600	25.19	18.74	18.74
1630	25.19	18.74	18.74
1700	25.19	23.03	25.78
1730	27.50	23.03	25.76
1800	27.50	23.03	25.74
1830	25.18	28.10	30.96
1900	25.18	28.10	30.91
1930	25.18	28.10	30.90
2000	25.18	28.10	30.92
2030	25.18	27.30	30.13
2100	35.00	21.84	24.51
2130	35.00	21.84	24.82
2200	29.00	20.56	23.21
2230	25.18	18.62	18.62
2300	25.18	17.64	17.64
2330	24.32	17.55	17.55
2400	18.40	17.64	17.64

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 6.15pm Monday to Friday

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Acquisitions help Meggitt rise to £23m

By Richard Gourlay

MEGGITT, the Dorset based engineering company, yesterday reported a 4 per cent increase in operating profits, helped by acquisitions, but a fall in earnings per share.

Operating profits rose from £24.4m to £25.3m, including losses of £493,000 from discontinued operations. Sales improved by 8.5 per cent, from £302m to £328m.

At the pre-tax level, profits rose from £18.7m to £23m, helped by a £3.5m swing from an interest charge to a receipt of £929,000 from the proceeds of the 1991 rights issue. This was struck after taking a higher loss on disposal of discontinued operations.

Earnings per share fell from 6.9p to 6.6p, based on the new FRS 3 accounting standards. Stripping out the loss on discontinued businesses, earnings fell from 8.4p to 8.1p.

The board is proposing a 2.53p final dividend, giving a total of 3.78p, a 5 per cent increase for the year.

Mr Ken Coates, executive chairman, said he was very confident about the future and that the company had had a good first quarter. "We have had, and still have, a difficult environment but we have performed better than our peers," he said.

Ken Coates: improvement achieved in a difficult environment

In aerospace, margins remained about the same and profits would have been almost unchanged before acquisitions.

The electronics and controls divisions' reported profits broadly maintained. Profits from the energy division halved to £1.2m on sales of £45m.

The group finished the year with gearing of 14 per cent.

● **COMMENT**

Meggitt has been viewed warily by the market because of its failed 1990 bid for USH, its sometimes opaque acquisition policy and the 1991 rights issue. With Tweedie focusing on the provisioning habits of acquisitive companies, the market might be expected to remain cautious. But Meggitt now looks set for a period of consolidating what it has acquired and is already showing quite considerable cash generating powers. The oil business, hit by a lower oil price, and aerospace, which will be affected in the second half by cuts at Boeing, might restrict any advances from here. But there seems little downside at current levels. The company is forecast to make profits of at least £30m this year on a normalised basis, helped by currency and the inclusion of a full year's contribution from Endevco. This gives earnings of 8.8p and a prospective multiple of an undemanding 12.

A scheme designed for better times

Queens Moat's difficulties relate in part to its incentives plan, reports Angus Foster

QUEENS Moat Houses' share suspension shocked the City last month as details emerged of the company's financial difficulties, which were partly caused by a controversial incentive scheme. But according to some managers within the scheme, problems were apparent nine months ago.

Several managers said their annual renegotiations of incentive fees suddenly became tense from last summer. The company started pushing for higher fees even though hotel revenues were falling. In some cases, Queens Moat tried to impose shorter contracts which would have squeezed hotel profitability during the quieter winter months.

One manager, who said he was treated "bloody well" during his 10 years with the company, was shocked when Queens Moat turned nasty after negotiations on fees broke down.

"They knew I was away, but they phoned my wife at home late on Sunday to say the hotel was coming out of the incentive scheme the next morning. It was not nice, especially since they were usually quite friendly," he said.

In retrospect, managers like these were shocked but not surprised when Queens Moat's shares were suspended last month as it emerged that the company was expected to announce a loss instead of a profit for the year to December 31.

According to one manager, the incentive schemes were "fair but unscientific. No-one really knew the true story of the profits so everything was done on trust. Queens Moat couldn't have known what was going on in many cases".

The incentive scheme, which is now being partly blamed for Queens Moat's financial troubles, had been running for nearly 20 years and is remarkably simple. At its peak, the scheme covered 65 of the company's 103 British hotels, although about half have since come out of the scheme and returned to direct management.

Each manager agrees in advance their incentive fee, often equal to about a quarter of annual turnover, and signs a promissory note guaranteeing to pay Queens Moat. The fee is paid in 13 four-weekly instalments. At the end of the year, the manager keeps any money outstanding as profit or makes up any shortfall.

The scheme was designed to give managers greater autonomy to improve their profits, as well as reduce central management overheads.

But the lax financial controls upon which the scheme thrived were to prove its downfall as recession mounted. Queens Moat appears to have persuaded its auditors, Bird Luckin, that promissory notes from managers allowed the company to book profits early. For example, if the company signed an incentive contract for £1m in November, the full benefit of that guaranteed payment was taken in that year's accounts.

Queens Moat appears to have persuaded its auditors that promissory notes from managers allowed the company to book profits early

"They appear to have been using next year's profits to meet this year's forecasts," according to one manager. In order for growth to be maintained, the company needed to keep increasing incentive fees, or bring in more incentive managers.

But as the effects of recession escalated following the Gulf War, more and more managers found they could not meet Queens Moat's fees. "I just knew I could not achieve the levels they were asking," said another manager, who came out of the scheme last year.

By some estimates, Queens Moat may have to make provisions of up to £20m to cover incentive fees which have been booked as profits but not been paid. One manager, who has since left the company, said he knew of six other managers who owed Queens Moat fees from two years ago yet are continuing to manage the company's hotels.

Since Queens Moat's suspension, a veil of silence has fallen over the company pending a report from accountants Grant Thornton, expected next month. Mr John Bairstow, the company's founder and chairman, has agreed to a request from Queens Moat's banks not to talk publicly about the situation.

A meeting was held last week for the company's hotel managers at the Elstree Moat House. It was led by Mr Gerald Bell, group operations director, who told managers to deny that any meeting took place if asked. Of about 15 managers spoken to by the Financial Times, none was prepared to be identified.

Despite uncertainty about Queens Moat's financial position, most managers report that trading and morale have not suffered unduly. A few managers cancelled holidays because of the crisis, some said suppliers had called to check all was well and staff have been reassured about the viability of individual hotels.

Even managers who have since left retain a sense of loyalty to the company and to Mr Bairstow. "I made more money and ran a better hotel because of those incentives. They should have realised things were wrong earlier, but they were super people to work with," one former manager said.

"Quite a few hotels are still trading well," another manager said. "We had a successful Easter and May is looking busy. It was Queens Moat's borrowings and financial side which went wrong, not the hotels," he said.

Brooks Service falls £392,000 into loss

LOSSES CONTINUED into the second half at Brooks Service Group, and for the full 1992 year the pre-tax figure was £392,000, against profits of £587,000. As forecast, there is no dividend.

Last year the group, which provides textile care and rental services, paid a total of 4.05p from earnings per share of 3.25p. Losses this time came to 1.76p.

Mr Simon Brooks, chairman, said the group faced unprecedented trading conditions and the upturn in sales usually experienced in the second half failed to materialise.The year's turnover was £24.2m (£23.8m) but operating profits slumped to £117,000 (£1.11m).

He added that there had been tentative signs since the year-end that the group's markets were improving.

The drop in operating profit was exacerbated by restructuring costs of £208,000 (£151,000) and higher interest charges of £532,000 (£490,000).

The figures have been produced under FRS 3. Last year's reported pre-tax profit was £645,000.

Old masters sales boost Parambe

Parambe, which deals in investments and works of art, lifted its pre-tax profit from £66,000 to £114,000 in 1992. The growth in asset value – the company's principal objective – was 6.3 per cent to 60.8p per share.

Dealing income from works of art doubled to £170,000 in a sluggish market. That was largely the result of sales of old master drawings to a US museum, which was unlikely to be repeated in 1993.

However, there were further write-downs of investments in art dealers and a sharp reduction in investment income from that source.

Earnings per share rose to 1.27p (0.79p) and the dividend is again 1.1p with a final of 0.55p.

Risky contract helps Cradley reach £1.14m

Interim pre-tax profits of Cradley Group, the lithographic printer, surged from £487,000 to £1.14m, but the result benefited from a large one-off contract in a "disappointing half year".

Mr Donald Jordan, chairman, said the period to December 31 saw a shrinking market for print, with profit margins virtually zero.

He said the one-off contract for Europe resulted in a considerable over-recovery of costs. In terms of production schedule it was a high risk contract, but the very tight schedule had been met.

The magazine printing business, he said, returned a loss of some £400,000 after tax.

Sales increased to £17.2m (£13.7m). Earnings per share were 2.3p (1p).

Alex Russell £2m in red after US withdrawal costs

By Nathalie Lemoine

THE COST of its final withdrawal from US coal production put Alexander Russell, the Scottish quarrying, concrete and coal group, into a £1.93m pre-tax loss in 1992, against a £1.66m profit previously.

A one-off charge of £2.56m related to closure of the coal operation in Southern Illinois and any foreseeable costs linked to the withdrawal.

The final dividend was passed, restricting the total to 1p (2.15p). The board hopes to return to normal dividends this year.

Trading profit was reduced from £1.72m to £625,000.

Turnover fell to £36.5m (£37.6m) including £802,000 (£1.49m) from discontinued operations.

"It is the second loss in our history, which, as with the first in 1925, arose through terrible coal trading conditions," Mr Russell Nicolson, chairman, said.

The quarrying side recorded a 41 per cent decline in profit to £1.6m (£2.7m), and in concrete, profits fell to £513,000 (£805,000) . However UK coal operations showed a substantial increase to £548,000.

There were signs of recovery in the company's markets.

"With the closure of our loss-making US coal operations, an overall reduction of £500,000 in labour costs through early retirement and 50 redundancies, and the effects of reduced interest rates, we are confident of a return to profit this year."

Losses per share were 11.86p basic (2.59p earnings) and 8.26p (3.32p earnings) fully diluted.

JOBS: Stupidities that bedevil organisations in defiance of the best knowledge on how to run them

A case of the worst sort of ignorance

WHY study stupidity? The Jobs column has lost count of how many times that question has been snorted at it in the five weeks since it last mentioned the Laws of Organisational Stupidity.

The target of the challenges is not the laws themselves, as typified by Parkinson's First which states: Work expands to fill the time available. Everybody appears to be agreed that organisations the whole world over are bedevilled by problems that seem to fall into regularly recurring patterns.

What is under challenge is my claim that such things are a fitting subject for study in schools of management, which a good many of the questioners think is somehow philosophically wrong.

They argue that to focus educational attention on the said idiocies would be to accentuate the negative, whereas the purpose of schools is positive. They exist to study wise practice, not the ignorant sort, and that applies to management schools no less than to any others.

Well, perhaps so if we make a certain assumption. It is that the ignorance leading to organisational stupidities amounts only to some people's failure to learn the knowledge that exists on how to avoid same, leaving them with a mental vacuum which could be filled with wisdom the schools possess. But I suspect the issue is really more complex, as depicted by the old Confucian jingle.

He who knows, and knows he knows, he is a wise man – seek him.

He who knows, and knows not he knows, he is asleep – wake him.

He who knows not, and knows he knows not, he is a child – teach him.

But he who knows not, and knows not he knows not, he is a fool – shun him.

To my mind, the ignorance giving rise to the idiocies is mainly the last cited variety, the kind that's ignorant even of the fact that it *is* ignorance. It is not the case that management schools are the jingle's wise men needing simply to awaken sleepers and teach children. The problems persist in spite of the best knowledge anyone has of how to set up and run organisations.

Hence all of us, the schools included, are the jingle's fools, which makes its advice to "shun" them inapplicable. Unless we're to be bedevilled for ever, we have to break out of our purblind ignorance.

The only way to do that is to stop proudly confining our educational attention to what we do know, and start humbly marking out what we don't know. And the only way to achieve that is to study the observable consequences as exemplified by the laws. But before proceeding farther, in case anybody here today was not in the congregation the last time they were mentioned, I had better again point out an important proviso about their character.

They aren't like the law of gravity in being inviolable. They both can be and sometimes are broken, for the most part beneficially. What each one describes is merely a regularity: a type of unplanned happening seemingly too frequent to arise purely by chance. In that sense they are akin to another set of laws that do get studied in management schools – the laws of economics. Moreover, I wouldn't mind betting that the laws of organisational stupidity are at least as reliable as predictors of real-life events.

Unfortunately, I haven't room to repeat all of the five I quoted last time. But since they included the first law formulated by the historian Professor Northcote Parkinson, who died in his 84th year on March 10, I will begin today's citations with his second.

In his wording of the 1950s, it states: *Expenditure rises to meet income.* But in the light of later history, that might be optimistic. My guess is that, if tested in practice, the rule would prove to be that expenditure rises to *overtake* income.

Whether or not that is so, the law is like the professor's first formulation in applying to individuals' private lives as well as in organisations – which is not always the case with the laws of stupidity. But another which operates at both levels is called Winkler's Twist because it was first revealed to me, as the laws' self-appointed codifier, by the British sociologist Jack Winkler. It states: *Routine events stimulate only when they fail to occur.*

One illustration of its working is provided by the old mechanical alarm clock, whose owner slept peacefully while it went on ticking away loudly, but woke up if it stopped. The selfsame principle nevertheless has numerous ill effects in organisations, even though they are usually overlooked.

Take for example incremental salary scales which, except for notional cost-of-living increases, tell employees what their pay is going to be for each of several years ahead. Since that reduces the future increments to routine events, Winkler's Twist rules that they cannot be motivating, or at least not in the positive sense as a reward. The only way to use the long-expected rises as a motivator is to refuse to pay them over, as a punishment.

Fairly similar in its workings is the law defined by my FT colleague, Sally Selby. It too applies generally, albeit in social rather than individual activity, but has a more specific organisational form with wider bedevilling potential.

An instance of its general aspect is the game Chinese Whispers in which a message is given to the first of a line of people, who then each pass what they think they heard to the next. The usual effect is enshrined by the old tale of the front-line officer's attempt to get "Send reinforcements, we're going to advance" conveyed from mouth to mouth back to headquarters. It eventually arrived there as "Send three-and-fourpence, we're going to a dance."

But the organisational law, Selby's Scrambler, states specifically that *Myths about a chief's wishes multiply with each link in the chain of command.* The chilling implication, of course, is that even if the said chief doesn't intend to send any message in the first place, the law is still apt to do its evil work.

Witness the following incident reported by a big-company middle manager a while ago to the Harvard Business School's eminent Rosabeth Moss Kanter:

"There are courtiers around the top guys, telling them what they want to hear, flattering them. For example, there was a luncheon with some board members. The vice-chairman mentioned that he was looking for a car for his daughter. A courtier thought: 'We'll take care of it'. He went down the line, and someone in purchasing had to spend half a day doing this. The guy who had to do it resented it, so he became antagonistic to the top.

"The vice-chairman had no idea this was going on, and if he had known, he would probably have stopped it. But you can't say anything at the top without having it be seen as an order. Even ambiguous remarks may get translated into action. At the top you have to figure out the impact of all your words in advance because an innocent expression can have a major effect."

The message of same is surely that senior executives need to do more than recall the experience of Gerald Ratner and keep their talents as entertaining speakers, no matter how great, firmly under check. It does not take careless talk to cost millions, and promising careers to boot. The sad fact is that top bosses cannot avoid the risk even by never saying anything at all.

For the Scrambler implies that, if there's any question important to lower rankers on which chiefs may be thought to have an opinion, then however carefully they refrain from expressing one, myths will rush in to fill the gap.

Michael Dixon

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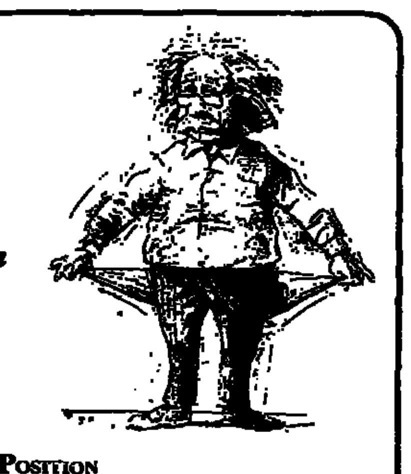

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ACCOUNTANCY COLUMN

Profession opts for primacy of public interest

Andrew Colquhoun explains moves to define a regulatory body's future role in a fast-changing world

THE recent *publication of the* first ever mission statement from the Institute of Chartered Accountants in England and Wales highlights our primary commitment to the public interest above narrower members' interests.

Production of the statement, together with core objectives and policy priorities for the next 3-5 years, was the culmination of an 18-month debate about the institute's future role.

This debate has obliged the institute's council and the membership to remind themselves of the reasons why the Empress of India gave Royal Charters to private bodies like the institute: as the best available means for serving the public interest in areas where government expertise was limited, rather than primarily to further the narrow self-interests of their members.

In the intervening period, and particularly in the last *20 years, the* accountancy profession has grown dramatically in size and complexity. As a consequence, it is totally legitimate for observers to ask whether the institute (and its fellow professional bodies) has the ability and the resources effectively to regulate multinational firms with global revenues *in billions of dollars.*

There is nothing predetermined which says the structures that served a social purpose in the regulation of accountancy in an earlier age are necessarily going to be relevant and effective in the last years of the twentieth century.

If members of professional bodies like the institute are to retain their rights and privileges (not least to benefit from the market premium associated with being a chartered accountant), then they must ensure that the social radar of their body is tuned to pick up changes in public expectations and that effective policies follow promptly.

That is why in its planning framework document, the institute's council has given primacy to the public interest. The council has explicitly restated a fundamental and enduring tenet: that it will not adopt or support policies that run counter to the public interest. But it also made an equally fundamental judgment: that there is a natural convergence over the longer term between the public interest and the interests of the institute's membership as a whole.

The key phrases here are "over the longer term" and the "membership as a whole". In the short term, it is quite possible that the professional bodies *should, and will, take decisions which* have an adverse short-term impact on the commercial activities of some members. For example, the immediate effect of the tough ethical guidance on specialist valuations from the Chartered Accountants Joint Ethics Committee (Cajec) will be to reduce the fee income of some firms.

But Cajec had analysed the issue critically, had consulted widely inside and outside the profession, and formulated its view accordingly. The three member bodies believed that this was a necessary step to take in order to strengthen the independence of the auditor, and thereby enhance the long-term reputation of the profession as a whole.

Some institute members, particularly from small firms, have asked a different, but equally legitimate, question: "If the institute is primarily motivated by long-term, public interest issues, how are the more immediate private interests of the members to be furthered?" Or to put the question more simply: "Can the regulator also represent and serve the members?"

In answer to this question, the council would argue that policies which serve the public also serve the members over the longer term. It would also distinguish between the locus for decisions. In certain areas, the institute and its committees are the ultimate decision-makers. This applies to individual disciplinary and regulatory cases and at a corporate level to the formulation of disciplinary policy, ethical guidance and audit regulation.

I*n taking these decisions, it would* be fundamentally wrong for the institute to take anything other than an enlightened approach to the public interest. More to the point, it would be dangerous and unsustainable, because the government or the courts would either force self-interested decisions to be overturned or, ultimately, would strip the institute of its decision-making powers.

In other areas, the institute and the other professional bodies are not the final decision-makers, but have the ability to make representations to those who are. Here, for example, the decision-makers are the Department of Trade and Industry, the Accounting Standards Board, the tax authorities, or the Securities and Investments Board.

It is an entirely proper role for professional bodies to bring the direct experience of their members to bear in the representations which it makes to those external decision-makers. Indeed, it would be strange, if not undesirable, if the views of the professions, as the greatest repositories of expertise in certain areas, were not expressed effectively.

In a pluralist society, those decision-makers will be exposed to a whole range of other views and will weigh them up accordingly. But the fact that the institute has regulatory functions in certain areas does not mean it need pull its punches in representing its views on related issues.

Some members of the profession would then pose a further question: "If my institute is also my regulator, how can I get help from it with an ethical or regulatory problem without *the institutes' Joint Monitoring Unit* finding out and knocking on my door to inspect what I am doing?"

One could argue that these fears are exaggerated, that the unit does not work in that way, and that thousands of members are getting help of this sort from the institute every year. Nevertheless, the concerns are real, and are being addressed. For example, we are setting up a small firm support service around the country to assist individual members who want to raise their professional standards or who face ethical dilemmas.

We are also reviewing the application of a new bye-law which placed an obligation on members to report professional misconduct. The principle of this requirement is sound, but needs to be applied with sensitivity if it is not to deter members facing ethical dilemmas from seeking the proper help. Underlying these examples is the judgment that it must be fully consistent with the institute's mission to assist individual members who want to raise their professional standards or who face ethical dilemmas.

The institute's planning framework has provided it with a powerful tool. It will assist in deciding how to allocate resources and in communicating with members. More important, it will help to provide an enduring discipline by which the institute can ensure that all its important decisions have given the proper weight to the public interest, and thereby to the long-term reputation of the profession.

This will not be enough on its own. The process of greater openness which the council recently adopted for meetings should also help to con*vince observers that professional reg*ulation is being effectively discharged by the institute. A more sensitive set of early warning radar for changes in public expectations will also need to be spinning, for example for disciplinary policy.

Taken together with the reform agenda for audit, financial reporting and associated issues, these changes will help to ensure that the accountancy profession keeps pace with the changing needs, both of the broader community and of chartered accountants themselves, to the benefit of all.

Andrew Colquhoun is secretary and chief executive of the Institute of Chartered Accountants in England and Wales

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Interested applicants should forward a comprehensive curriculum vitae, quoting **ref: 6043**, to **Mark Hurley ACMA** or **Alan Dickinson FCMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

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Low-cost CIS smelter clean-up likely

By Kenneth Gooding, Mining Correspondent, in Helsinki

THE ALUMINIUM industry of the Commonwealth of Independent States is likely to go ahead soon with a low-cost scheme drastically to cut pollution from most of its smelters. It would cost about US$600m, compared with previous estimates of $6.6bn to upgrade the CIS plants, according to Mr Vesa Kumpulainen, chief executive of the Kumera Corporation of Finland, which would act as manager of the project.

The scheme would go a long way towards answering complaints by the European Community's aluminium industry that it is being forced to shut down modern smelting capacity to make way for exports from heavily polluting CIS smelters.

Mr Kumpulainen said that Kumera, a privately-owned group with an annual turnover equivalent to about $100m, had completed studies at some CIS smelters that showed it would be possible, as an intermediate step, to convert the existing Soederberg operations rather than to move completely to the modern, so-called pre-bake technology. This could be done with well-established technology developed by Reynolds Metals, the US group, which had used it to convert to Soederberg smelters in its own country.

"The CIS industry can afford this scheme but the cost of converting to pre-bake technology is not financially viable" unquote, Mr Kumpulainen declared.

As an example of how pollution could be reduced, he said that at one CIS smelter some 20 kg of emissions a year could be cut to only 2 kg. Upgrading the Soederberg lines would also produce huge energy savings because the present power efficiency of 80 per cent would increase to 90 per cent.

Ten of the 14 CIS aluminium smelters use the Soederberg process – including the two largest, Bratsk (850,000 tonnes a year) and Krasnoyarsk (800,000 tonnes). Kumera has made proposals to them all. Mr Kumpulainen said work was expected to start at the 60,000 tonnes-a-year Kandalaksha smelter later this year, which would take two years to complete. It would be possible to convert all the CIS Soederberg smelters in two to three years.

One side effect of the conversion would be an increase in the annual capacity of each by 8 or 9 per cent.

Mr Kumpulainen was speaking during meetings here to arrange the formation of a new organisation to promote and defend the interests of the CIS aluminium industry internationally. Mr Igor Prokopov, president of Concern Aluminiy, the holding company for the CIS industry, said that CIS aluminium output this year was expected to be in line with the 3.2m tonnes produced in 1992. He also expected that official exports would be about the same at 850,000 tonnes.

Mr Boris Yeltsin, Russia's president, a few days ago signed a decree permitting the industry to export 520,000 tonnes of aluminium free of duty to pay for its raw materials, equipment, food and other necessities, he said. Last year's duty-free total was 650,000 tonnes. Russia was taking steps to cut unlicensed and unofficial exports of metal by imposing new customs regulations between itself and other members of the Federation.

Mr Prokopov pointed out that the CIS industry was producing at well below its rated annual capacity of 3.5m to 3.8m tonnes mainly because reconstruction was taking place at smelters to improve their performance. However, "political problems" in Tadzhikistan would this year reduce output at the smelter there to between 300,000 and 320,000 tonnes, compared with its capacity of 520,000 tonnes.

THE LONDON Metal Exchange has postponed the introduction of a pre-market trading session on the floor to mop up early morning business now carried out between traders' offices, writes David Blackwell.

The decision to put off the move was widely expected following the outraged reaction of several ring-dealing members. "I don't think there is any LME ring-dealing member who sees any sense in it at all," said one prominent trader at the time.

The LME wanted to introduce pre-market ring trading before the end of the year in order to give a better service to Far Eastern and Australasian clients.

"Following extensive consultation the board has decided to postpone for the time being the implementation of its proposal for the experimental introduction of a pre-market ring," LME members were told yesterday.

The original proposal sprang from a study by an LME working party into the exchange's membership structure. The study itself was set up after complaints by ring-dealing members that they were carrying a greater share of the burden of running the exchange. They felt that they were facing more risks than the non-ring dealing members, and not reaping commensurate rewards.

The LME said yesterday that "the board continues to examine the external directors report on market structure".

EC import restrictions 'wrong and ineffective'

By Kennethn Gooding

IT WOULD be "wrong and ineffective" for the European Commission to impose quotas on imports of CIS aluminium, said Mr Igor Prokopov, president of Concern Aluminiy, the holding company for the CIS industry, yesterday.

The commission is considering a quota system at the request of some European aluminium producers who claim that their smelters are threatened by an unprecedented surge in CIS exports since 1991.

Mr Prokopov pointed out the CIS industry had costs which were among the lowest in the world but all its contracts were related to the world market price established by the London Metal Exchange. Most exports were handled by large, reputable western trading organisations. Also, much of the proceeds from CIS aluminium exports were used to pay for imports of raw materials, equipment and food for the smelters and most of these came from Europe.

If the EC forced cuts in aluminium exports from the CIS, its own exports would suffer. In any case, there was no such thing as a "European aluminium market" – dash just a world market in which the CIS was playing a normal role. It made no sense to put a fence between Europe and the CIS – "it would achieve nothing".

Cotton output down 20%

By Gillian Tett in Moscow

COTTON OUTPUT in the former Soviet republics dropped by almost 20 per cent last year to 6.47m tonnes, the lowest level for 15 years, according to the Commonwealth of Independent States' central statistical office. Raw cotton production totalled 7.79m tonnes in 1991 and 9.1m tonnes in 1980.

Two-thirds of last year's total came from the central Asian republic of Uzbekistan, with Turkmenistan, Tadzhikistan and Azerbaijan supplying most of the rest.

The CIS statistical office cited shortages of agricultural equipment as the key reason for falling production. Productivity was relatively inefficient with only 2.24 tonnes of cotton collected from each hectare cultivated. However, the collapse of trade links between the former Soviet republics and the political unrest in Azerbaijan and Tadzhikistan have also drastically affected the harvesting and processing of cotton.

With the former Soviet republics now increasingly determined to boost their supplies of hard currency, exports of raw cotton have risen significantly – last year Uzbekistan increased its overseas sales by 130 per cent to 600,000 tonnes.

At the same time trade with Russia, previously the main receiver of raw cotton in the Soviet Union, has dropped, leaving its textile industry in growing crisis.

Ukraine may export grain

By Chrystia Freeland in Kiev

UKRAINE'S MINISTER of Agriculture yesterday announced that he expects Ukraine, which last year had to import grain, to export at least 2.2m tonnes of grain and 500,000 tonnes of sugar this year.

Seeding is drawing to a close in Ukraine and Mr Karasyk said that the combination of good weather and the beginning of economic reforms in the agricultural sector would lead to a good harvest.

"It has been a very beautiful spring," Mr Karasyk said. "The weather is working for our independence."

Mr Karasyk predicted that a harvest of between 42m and 45m tonnes of grain would be gathered this year, up from last year's yield of 40m tonnes. He forecast a Ukrainian sugar beet crop of 40m tonnes, compared with the 33m tonnes harvested last year, when the yield was sharply reduced by drought.

The agriculture minister vowed to resign if Ukraine imported any grain this year and said the country needed foreign investments in the agricultural infrastructure, not credits with which to buy western grain.

Mr Karasyk said that agricultural reforms were beginning to take root with 400,000 hectares already owned by private farmers. He said that 200,000 ha were being cultivated jointly with western investors.

Malaysia 'cannot understand' rubber pact opposition

By Kieran Cooke in Kuala Lumpur

MALAYSIA SAYS it cannot understand the refusal of the world's natural rubber consuming countries to renegotiate the International Natural Rubber Agreement.

Mr Ahmad Farouk, chairman of the the Malaysian rubber research and development board and the country's spokesman at meetings of the International Natural Rubber Organisation, says that the consumer countries have been inflexible and have mistakenly linked a renegotiation of Inra with a revision of the Inro reference price mechanism.

The present agreement expires at the end of this year. Last month the main natural rubber consumer countries – the European Community, the US and Japan – voted against a renegotiation saying that such a move would only be considered if a dispute over a downward revision of Inro's reference price was resolved.

Earlier this year producing countries – mainly Thailand, Indonesia and Malaysia – opposed a 5 per cent cut in the reference price because prices were then in an uptrend. The reference price guides the organisation's buffer stock manager in his buying and selling of stockpiled rubber.

"I do not understand the consumers," says Mr Ahmad. "They insisted that the reference price be revised first. But they know that there will be new proposals on reference price if we go into a renegotiation of Inra."

The Malaysian cabinet has this week been discussing what measures to take if, as expected, the agreement collapses at the end of the year. Mr Lim Keng Yaik, the primary industries minister, has accused the consumer countries of not caring whether price levels are remunerative for producer countries. Mr Lim said the consumers wanted to keep the price locked in the present low range.

"We want Inra but not at any cost," said Mr Lim. "Producers must protect themselves. They should not allow themselves to be trampled on by the rich and powerful consuming nations."

A last attempt to save the pact will probably be made when the organisation's council meets here next month. Producers say if Inra collapses they will bring in their own supply curbs and alternative pricing mechanisms.

Peru's fishmeal industry set for bumper profits

Production survived last year's El Niño visitation to reach a fresh record, writes Sally Bowen

THE PERUVIAN fishmeal industry is gearing up for a bonanza predicted to last for the next two to three years. By late 1992, the sardine and anchovy that form the staple raw material for the industry were back in abundance after being temporarily affected by the appearance of the dreaded warm current known as "El Niño", which last ravaged fishmeal output in 1983.

Contrary to predictions, however, Peruvian production survived last year's milder visitation and a late boost in fish stocks turned 1992 into yet another record year. Peru topped the world exporters' league with 1.37m tonnes, narrowly outstripping Chile's 1.21m tonnes.

"Statistically, the years after a Niño are excellent," says Mr Espino of Imarpe, Peru's maritime institute, which is charged with husbanding the resource and recommending periodic fishing bans. Mr Espino estimates that the Peruvian catch could be raised by a quarter or a third from the present 6m tonnes a year without detriment to the species.

"And if the fishmeal producers started going for jack mackerel – at present only about 80,000 tonnes a year are landed, perhaps 5 per cent of total stocks – then the sky's the limit," he says.

The main limitation on such expansion is fleet capacity. Most Peruvian fishing boats are small, with no refrigeration and hug the coast. When El Niño hits, the fish move into deeper waters farther out to sea where these boats cannot follow.

Peruvian producers say they have invested more than $200m in the past two years in fleet renovation and plant and equipment modernisation ashore. The industry is moving towards production of higher-quality, low temperature, steam-dried meal with "stick-water" plants to maximise protein recovery. New boats with refrigerated holds are under construction in local yards. But there's still plenty of room, and a warm welcome waiting, for new investment from abroad.

Fishmeal Production ('000 tonnes)

	1990	1991	1992
Peruvian			
Pesca Peru	379	498	513
Private sector	755	782	853
Total	1,134	1,280	1,366
Chilean		1,550	1,210

Source: Peruvian National Fishing Society (SNP)

Representatives from Chile's huge Angelini group have been in Peru recently on "feeling-out" visits. And Venezuelan capital has already entered in the form of a new fishmeal joint venture under the name of Palangrera Peruana.

But the big surprise of 1993 could be the arrival of the Chinese. Pesca Peru, the state-owned fishmeal and fishoil giant that produces around 40 per cent of all national output, is high on this year's privatisation list. Coopers and Lybrand, with financing from the Canadian development agency and the World Bank, is currently completing a valuation and will recommend on sale procedures.

Essentially, the choice is between splitting the company into its 20 plants and four refineries to sell off individually; or to sell the whole company as one unit.

The only likely buyers on the latter basis would be the Chinese – "and it's a possibility that has the private producers in a state of panic", says Mr Eric Topf, head of the Pesca Peru privatisation committee.

Unofficially, senior Pesca Peru officials say the company should fetch "at least $200m", a ball-park figure considered over-optimistic by private producers.

The state-owned plants are, by and large, elderly and outdated – though several are excellently located on the now-desirable extreme southern coast and have their own quays. Drastic personnel reductions during 1992 put Pesca Peru back into profit after years in the red, underlining just how profitable producing fishmeal can be, even from scrap-yard plants.

China has established itself as far and away Peru's largest customer buying last year almost 60 per cent of all output. Peruvian fishmeal goes to feed the Pacific prawn, turbot and eel which China is successfully exporting in quantity to the US and Japan.

The Chinese are said to be producing at present some 32m tonnes of animal foodstuffs a year, in which they use 2 per cent fishmeal – a very low percentage compared with most competitors. A high-level Peruvian delegation is now in China "to try to convince them of the bounties of boosting that fishmeal component," says Mr Salomon Manzur, Peruvian president of the Fishmeal Exporters' Association.

If the Chinese do increase the percentage of fishmeal in their current animal feedstuff production, Peruvian producers will be assured of sales for their expanded fishmeal output for several years to come.

BP Norway's crude output 'to plunge'

By Karen Fossli in Oslo

BRITISH PETROLEUM Norway will see its crude oil production plunge by 36 per cent over the next three years, according to the second annual Norwegian oil and gas league table soon to be published by Edinburgh-based analyst Wood Mackenzie.

Total Norwegian crude oil production is forecast to increase by 6 per cent over the same period.

WoodMac's league table, which ranks the top 20 oil companies in Norway by the total value of their oil and gas assets, including pipelines, also reveals that BP Norway has dropped out of the top ten – its NKr6.553bn (£625m) valuation having been overtaken by Conoco Norway, valued at NKr6.743bn.

Statoil, the Norwegian state oil company, remains the undisputed leader with a valuation at NKr49.204bn, more than twice that of second-placed Norsk Hydro. According to WoodMac, Statoil's most valuable assets include the Statfjord, Gullfaks, Oseberg, Snorre and Sleipner East fields. Also included are the Statpipe and Ulapipe pipelines, which between them contribute some NKr9bn, or about 18 per cent, to Statoil's asset base value.

Of the foreign oil companies operating in Norway, Elf Petroleum retains the highest ranking at number three overall, valued at NKr13.987bn, followed closely by Esso Norge, valued at NKr13.321bn and Phillips Petroleum Norway, at NKr11.848bn. Saga Petroleum, Norway's biggest independent, retained sixth place, valued at NKr9.960bn, thanks to last year's acquisitions of DNO Olje and Norminal, two tiny domestic independents.

WORLD COMMODITIES PRICES

MARKET REPORT

Three-month **COPPER** moved below $2,000 a tonne on the LME yesterday morning, stimulating waves of liquidation and putting other prices under pressure. Late bouts of bargain hunting and short covering cushioned the earlier sharp fall. Dealers said that further losses towards recent 5½-year lows of $1,965 were likely, but should be punctuated by short covering rallies. Copper ended the kerb at $1,979, just above the low of $1,975. Three-month **NICKEL** fell below $6,000 a tonne, triggering sell-stops. The market drifted lower on sprees of commission house and merchant selling, before late short covering stemmed the fall. Three-month **ZINC** showed some resilience in the wake of copper's decline and looks poised to test levels above $1,030 a tonne. Three-month **ALUMINIUM** clawed back some of its earlier losses after encountering solid support near $1,130. On the London bullion market **GOLD**, **SILVER** and **PLATINUM** were softer across the board, but further gains could arise today as traders cover short positions ahead of any weekend developments in South Africa following the murder of black leader Chris Hani.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.34-6.40u	-.205
Brent Blend (dated)	$18.60-8.62	-.135
Brent Blend (May)	$18.80-8.82	-.135
W.T.I (1 pm est)	$20.27-0.31u	-0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$207-210	-0.5
Gas Oil	$182-183	+3
Heavy Fuel Oil	$76-77	
Naphtha	$177-178	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$338.15	-1.05
Silver (per troy oz)♣	387.5c	-8.0
Platinum (per troy oz)	$367.85	+4.85
Palladium (per troy oz)	$114.25	+2.50
Copper (US Producer)	94.5c	-0.5
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.31r	+0.02
Tin (New York)	260.0c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	137.80p	+1.43*
Sheep (live weight)†♠	146.89p	+13.4*
Pigs (live weight)†	92.44p	+1.38*
London daily sugar (raw)	$258.0	-8.9
London daily sugar (white)	$284.5	-1.5
Tate and Lyle export price	£278.0	-8.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£167.0	-4.0
Wheat (US Dark Northern)	Unq	
Rubber (May)♥	58.75p	-0.50
Rubber (Jun)♥	59.25p	-0.50
Rubber (KL RSS No 1 May)	212.0m	-1.0
Coconut oil (Philippines)§	$410.0y	-12.5
Palm Oil (Malaysian)§	$397.5u	-2.5
Copra (Philippines)§	$260.0	
Soyabeans (US)	£177.0z	+4.0
Cotton "A" index	61.40	+0.70
Wooltops (64s Super)	355p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jun/Jul u-May. z-Apr/May ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	232.00	-	230.00
White	**Close**	**Previous**	**High/Low**
May	285.70	285.00	287.00 284.50
Aug	286.70	284.80	288.00 283.50
Oct	272.20	269.50	273.50 268.50
Dec	272.10		269.00
Mar	272.20	270.40	272.70 269.10
May	275.20	272.50	275.70
Aug	279.70	277.00	280.20

Turnover: Raw 1 (0) lots of 50 tonnes. White 1424 (1713) Paris- White (FFr per tonne): May 1544.70 Aug 1580.53

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
May	18.85	18.86	18.94 18.82
Jun	18.96	18.99	19.07 18.93
Jul	18.95	18.98	19.04 18.92
Aug	19.00	19.04	19.08 19.00
Sep	19.10	19.11	19.10
Oct	19.09	19.16	19.09
Nov	19.16	19.14	19.16
IPE Index	18.83	18.89	

Turnover 28822 (52220)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
May	175.75	176.00	177.75
Jun	174.25	174.00	175.00 173.75
Jul	174.50	174.75	175.75 174.50
Aug	176.00	176.50	177.25 176.00
Sep	178.00	178.50	179.25 178.00
Oct	180.75	181.50	181.75 180.75
Nov	183.25	183.25	183.00
Dec	184.75	184.75	184.50
Jan	184.25	184.25	184.00

Turnover 11834 (12175) lots of 100 tonnes

FRUIT AND VEGETABLES

Pineapples at £1.00-1.30 each (£1.00-1.30) are an excellent buy this week, along with Bramley apples at 35-45p a lb (35-45p). Shamouti oranges at 12-35p each (12-35p) and outdoor rhubarb at 25-35p a lb (25-35p), reports FFVIB. Supplies of cauliflower are increasing and are in the shops at 45-55p each (65-65p). Other good vegetable choices include Spring greens at 35-40p a lb (35-40p), broccoli at 45-55p per 8oz pre-pack. English potatoes at 10-14p a lb (10-14p) and carrots at 20-25p a lb (20-25p). English and Dutch cucumbers are currently priced at 50-70p each (50-70p) depending on size. Tomatoes are 50-99p a lb (55-90p).

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	693	694	693 686
Jul	705	707	706 699
Sep	718	721	718 712
Dec	737	738	736 730
Mar	756	758	756 751
May	770	772	769 765

Turnover: 4873 (3903) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Apr 14 722.23 (728.96) 10 day average for Apr 15 709.58 (707.59)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
May	900	901	908 898
Jul	881	874	885 868
Sep	868	868	873 863
Nov	874	872	878
Jan	888	880	886 880
Mar	899	898	893 890

Turnover:8079 (4049) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Apr 14: Comp. daily 50.87 (50.63) 15 day average 51.66 (51.86)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
May	39.5	41.0	40.5 38.2
Apr	95.0	93.2	94.0 93.5

Turnover 35 (26) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	-	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Apr	1500	1476	1500 1480
May	1465	1442	1465 1446
Jun	1370		1370
Jul	1270	1267	1270 1265
BFI	1478	1473	

Turnover 310 (242)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
May	144.15	144.50	144.65 144.15
Jun	145.15	145.00	145.40 145.05
Nov	109.40	109.75	109.75 109.30
Jan	112.40	112.75	112.85 112.40
Mar	115.00	115.20	115.15 114.90
May	117.90	118.15	118.35 117.80
Barley	**Close**	**Previous**	**High/Low**
May	-	140.00	

Turnover: Wheat 370 (266), Barley 0 (71). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	105.0	-	104.0

Turnover:4 (28) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,787 lots
Cash	1111-2	1124.5-25.5		1111-2		
3 months	1133.5-4	1147-48	1142/1132	1133.5-4	1135-5.5	157,505 lots
Copper, Grade A (£ per tonne)						Total daily turnover 53,489 lots
Cash	1259.5-61.5	1277-78	1267	1267.5-8		
3 months	1283-5	1302-02.5	1294/1285	1290.5-1	1289.5-90	164,989 lots
Lead (£ per tonne)						Total daily turnover 2,623 lots
Cash	273-3.5	273.5-74.5		270.5-1		
3 months	282-2.5	284-85	283/280	280-0.5	282.5-3	20,295 lots
Nickel ($ per tonne)						Total daily turnover 12,691 lots
Cash	5780-5	5975-80		5775-80		
3 months	5845-50	6045-50	6020/5840	5843-4	5875-80	44,438 lots
Tin ($ per tonne)						Total daily turnover 1,965 lots
Cash	5595-605	5610-15		5600-5		
3 months	5655-60	5670-75	5670/5655	5660-5	5650-5	8,782 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,372 lots
Cash	1010-1	1024.5-25.5	1008.5/1008	1006-6.5		
3 months	1028.5-9	1043.5-44	1036/1024	1025.5-6	1029-31	68,744 lots

LME Closing £/$ rate: SPOT: 1.5455 3 months: 1.5355 6 months: 1.5252 9 months: 1.5168

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.00-338.30	
Opening	339.40-339.70	
Morning fix	339.20	219.447
Afternoon fix	338.90	218.279
Day's high	339.00-339.30	
Day's low	337.80-338.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.61	6 months	2.41
2 months	2.53	12 months	2.41
3 months	2.47		

Silver fix	p/troy oz	US cts equiv
Spot	254.35	393.25
3 months	257.85	396.05
6 months	261.65	399.25
12 months	268.85	406.00

GOLD COINS

	$ price	£ equivalent
Krugerrand	338.50-341.50	218.00-220.00
Maple leaf	347.60-349.85	-
New Sovereign	78.50-82.50	51.00-53.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Aug	May	Aug
1100	24	56	5	12
1125	10	39	15	21
1150	3	25	33	33
Copper (Grade A)	**Calls**		**Puts**	
1950	52	102	39	83
2000	30	77	67	88
2050	18	57	102	117
Coffee	**May**	**Jul**	**May**	**Jul**
850	52	85	2	24
900	16	30	16	49
950	3	16	53	85
Cocoa	**May**	**Jul**	**May**	**Jul**
700	6	34	13	29
725	1	24	33	44
750	-	16	57	61
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850	-	-	17	32
1900	34	53	32	-
1950	14	30	82	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	337.2	339.7	339.5	337.5
May	337.6	340.1	0	0
Jun	338.3	340.8	340.9	336.0
Aug	339.6	342.1	342.0	338.4
Oct	340.9	343.4	340.7	340.7
Dec	342.2	344.7	344.8	339.5
Feb	343.7	346.2	345.7	342.4
Apr	345.1	347.6	347.2	347.2
Jun	346.5	349.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	373.1	375.3	377.0	371.0
Jul	368.1	369.3	370.5	366.1
Oct	366.5	368.0	367.5	367.0
Jan	365.9	367.3	368.5	368.0
Apr	365.4	366.8	368.0	369.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	387.2	393.9	0	0
May	387.8	394.5	394.5	384.0
Jun	389.1	395.8	0	0
Jul	390.4	397.1	398.0	386.0
Sep	393.0	399.8	400.0	389.0
Dec	396.7	403.5	403.5	393.0
Jan	397.1	403.9	0	0
Mar	400.6	407.4	406.0	396.0
May	403.1	409.9	410.0	403.0
Jul	405.9	412.7	405.0	405.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	87.10	88.30	87.40	86.70
May	87.40	88.60	88.00	86.80
Jun	87.80	89.00	88.20	87.50
Jul	88.20	89.40	88.85	87.65
Aug	88.60	89.80	88.90	88.90
Sep	89.00	90.20	89.50	88.60
Oct	89.20	90.40	89.60	89.60
Nov	89.60	90.80	90.20	90.00
Dec	90.05	91.30	90.70	89.70
Jan	90.30	91.55	90.60	90.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.30	20.40	20.47	20.28
Jun	20.51	20.60	20.68	20.46
Jul	20.62	20.70	20.75	20.58
Aug	20.67	20.75	20.80	20.65
Sep	20.72	20.78	20.82	20.72
Oct	20.80	20.79	20.81	20.79
Nov	20.78	20.78	20.80	20.77
Dec	20.78	20.79	20.80	20.77
Jan	20.72	20.77	20.78	20.72
Feb	20.70	20.75	20.75	20.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	55.90	56.01	56.50	55.70
Jun	55.90	56.04	56.40	55.75
Jul	56.10	56.33	56.65	56.05
Aug	56.70	56.93	57.10	56.70
Sep	57.80	57.91	57.80	57.80
Oct	58.70	58.86	58.85	58.70
Nov	59.56	59.76	59.55	59.55
Dec	60.45	60.62	60.65	60.40
Jan	60.80	61.07	60.80	60.80
Feb	60.60	60.87	60.60	60.60

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	930	931	940	910
Jul	960	961	970	938
Sep	981	986	996	973
Dec	1020	1018	1030	1006
Mar	1054	1052	1051	1040
May	1080	1078	0	0
Jul	1103	1101	1095	1095
Sep	1125	1123	0	0
Dec	1155	1153	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	54.75	54.50	55.60	54.45
Jul	56.35	56.20	57.35	56.10
Sep	58.25	58.10	59.20	58.00
Dec	60.90	60.75	61.80	60.75
Mar	63.15	63.20	63.85	63.25
May	65.25	64.95	66.70	65.00
Jul	66.75	66.45	67.00	67.00
Sep	68.50	67.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	10.41	10.40	10.60	10.30
Jul	11.00	11.03	11.16	10.85
Oct	10.91	10.90	11.04	10.70
Mar	10.29	10.28	10.40	10.20
May	10.28	10.29	10.37	10.25
Jul	10.30	10.40	10.38	10.38

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	62.64	62.85	63.40	62.35
Jul	63.10	63.48	63.75	62.75
Oct	63.37	63.48	63.70	63.07
Dec	62.55	62.70	62.75	62.20
Mar	63.45	63.65	63.46	63.45
May	63.95	64.15	64.15	64.15
Jul	64.25	64.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	95.30	95.75	96.00	94.40
Jul	98.60	98.65	99.00	97.40
Sep	101.00	101.10	101.20	100.10
Nov	103.00	103.00	103.00	102.50
Jan	104.95	105.00	104.90	104.10
Mar	106.80	106.90	106.75	106.25
May	106.80	106.95	0	0
Jul	106.80	106.95	0	0
Sep	106.80	106.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Apr 15	Apr 14	mnth ago	yr ago
1686.2	1685.2	1737.8	1606.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 14	Apr 13	mnth ago	yr ago
Spot	122.01	121.66	124.54	116.03
Futures	125.02	125.22	130.32	116.83

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	590/4	595/2	596/4	590/0
Jul	593/6	599/2	601/2	593/4
Aug	596/0	601/4	603/2	596/0
Sep	597/4	602/0	604/4	597/2
Nov	601/6	607/0	609/2	601/4
Jan	608/6	613/0	615/0	608/4
Mar	615/0	620/6	622/0	615/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.30	21.42	21.57	21.29
Jul	21.58	21.67	21.85	21.56
Aug	21.67	21.76	21.92	21.67
Sep	21.77	21.83	22.07	21.77
Oct	21.87	21.94	22.12	21.87
Dec	22.11	22.20	22.33	22.06
Jan	22.15	22.21	22.32	22.15
Mar	22.35	22.40	22.45	22.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	183.9	185.4	185.8	183.7
Jul	185.5	187.3	187.7	185.3
Aug	186.1	188.1	188.5	186.0
Sep	187.2	189.0	189.1	187.2
Oct	187.5	189.9	189.9	187.2
Dec	189.5	192.1	192.5	189.2
Jan	190.3	193.0	192.0	190.3
Mar	191.0	193.7	193.0	191.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	231/6	231/0	233/0	231/2
Jul	237/2	236/4	238/4	236/6
Sep	241/4	240/6	242/6	241/2
Dec	247/0	246/0	248/4	246/2
Mar	253/4	252/6	254/2	252/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	355/4	349/6	357/0	350/0
Jul	313/0	313/2	314/4	311/2
Sep	315/4	316/0	316/4	314/4
Dec	324/6	325/0	326/0	324/0
Mar	329/0	330/0	330/0	328/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	81.900	82.225	82.300	81.875
Jun	75.825	76.525	76.725	75.800
Aug	72.775	73.200	73.325	72.700
Oct	73.750	73.875	74.200	73.700
Dec	74.000	73.875	74.225	73.825
Feb	73.300	73.200	73.750	73.200

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	47.075	47.500	47.825	47.000
Jun	53.500	54.200	54.475	53.450
Jul	52.650	53.175	53.600	52.500
Aug	49.525	50.025	50.550	49.450
Oct	43.925	44.600	44.700	43.900
Dec	45.000	45.450	45.700	44.900
Feb	45.050	45.400	45.550	45.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	51.175	52.950	53.950	50.950
Jul	52.100	53.500	55.000	51.600
Aug	49.450	50.800	52.500	49.100
Feb	44.000	44.200	45.200	43.975
Mar	42.825	42.500	42.825	0

LONDON STOCK EXCHANGE

Bond market decline upsets equities

By Steve Thompson

A DECLINE in international bond markets, influenced by worries that the Bundesbank will continue to resist pressure for further cuts in German interest rates, took the shine off a promising performance by London's equity market.

In a generally muted trading session share prices made good early progress, led by the Footsie future, before slipping into negative territory as today's national rail strike loomed and the long three-week trading account comes to an end.

But dealers said the market was ending the extended account in good shape and there had been a marked improvement in both sentiment and the level of genuine customer business in the market yesterday. Turnover totalled 583.4m shares.

The new trading account is expected to bring out some strong support for the market as recent evidence that the recovery in the UK economy is well underway prompts the big institutions to allocate substantial funds to equities for the second quarter. And overseas investors, particularly in Germany, are said to be increasingly interested in the UK equity market, focusing on recovery trends and a strong pound. Mr Ian Harnett at SGST, the French-owned securities house, said he was much more confident that the FT-SE 100 will go to 2,950 and potentially to 3,000 over the current quarter.

The 100 index ended the day a net 2.4 lower at 2,839.7 while the FT-SE Mid-250 index continued its recent bout of underperformance against the 100 index in closing 6.8 down at 3,085.9.

There was widespread enthusiasm in the market at the outset with trading statements from a number of the UK's leading companies generally receiving a warm reception around the City's dealing desks. The announcement from Forte, one of the UK's leading hotel and leisure groups, of a cut in the final dividend had been well flagged and saw the shares move up strongly.

A maintained dividend from Blue Circle plus profits from RMC ahead of the most forecasts led to some aggressive buying of both stocks. Redland, another of the leading building materials shares, attracted keen support after offering shareholders an enhanced scrip dividend.

At its best, in mid morning, the Footsie 100 index was up 12 points at 2,854.1. However, a bout of profit-taking, the easier trend in bond markets, and a slightly disappointing opening by Wall Street, which was down more than 15 points on the Dow Jones Average shortly after London closed, saw share prices slip back to close marginally easier on balance.

Water and electricity stocks came under the lash again, both sectors plunging as institutions continued to cash in some of the substantial profits in the sectors and switched the proceeds into some of the market's underperformers. The FT-SE Actuaries water index fell 2.9 per cent while the Electricity index dropped 1.7 per cent.

The best performer in the Footsie 100 was British Steel, responding to price increases and a much more positive stance on the shares adopted by at least two of the market's leading broking houses. ICI maintained its recent good showing, the shares racing higher as US investors continued to react to the upgraded earnings estimates instigated by one of the top US brokerage houses.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	9,500	67½	-1
Abbey National	2,300	376	-8
Albert Fisher	7,100	68	+1
Allied-Lyons	1,400	558	-4
Amstrad	1,700	34½	-½
Anglian Water	1,900	516	-12
Argos	971	308	-1
Argyll Group	2,700	338	+4
Arjo Wiggins	1,600	182	-1
Ass. Brit. Foods	640	507	+1
Ass. Brit. Ports	1,200	392	-1
BAA	705	786	-5
BAT Inds.	1,800	905	+2
[illegible]			
British Land	1,000	258	-3
British Steel	8,100	91	+5
Bunzl	438	127	-1
Burmah Castrol	155	735	-3
Burton	2,600	80	
Cable & Wire.	2,200	742	-8
Cadbury Schweppes	1,000	485	+5
Calor Group	27	255	
Carlton Comms.	784	786	-15
Coats Viyella	3,100	240	
Comm. Union	1,100	620	+8
Cookson	1,200	206	-1
Courtaulds	718	584	+5
Dalgety	313	447	-1
De La Rue	81	698	-1
Dixons	2,000	199	
Eastern Elec.	481	471	-14
East Midland Elec.	1,200	459	-15
Eng China Clays	631	438	+1
Enterprise Oil	698	468	-6
Eurotunnel Units	71	465	-10
FKI	780	120	-1
Fisons	2,100	187½	-½
Foreign & Col. I.T.	280	224½	+1
Forte	10,000	188½	+6½
[illegible]			
ICI	2,500	1201	+34
Inchcape	1,200	606	+1
Johnson Matthey	550	441	-5
Kingfisher	1,800	586	+3
Kwik Save	216	747	-3
Ladbroke	6,800	169	-1
Land Securities	486	536	
Laporte	209	830	-1
Legal & General	429	452	-1
Lloyds Abbey	727	412	-2
Lloyds Bank	1,500	531	-10
LASMO	1,400	146	-4
London Elect.	800	471	-13
Lonrho	3,500	84	+1
Lucas	2,400	127	-1
MB Caradon	502	308	-3
MEPC	59	388	+4
Manweb	103	624	-11
Marks & Spencer	3,800	350	+3
Midlands Elec.	1,200	485	-14
Morrison (Wm.)	408	153	
NFC	1,600	241	-8
NatWest Bank	3,700	447	
National Power	2,300	340	-½
Next	1,600	149	-½
North West Water	1,000	502	-15
[illegible]			
Rolls Royce	414	133	-½
Rothmans	89	623	+1
Ryl Bk Scotland	1,000	254	-2
Royal Insurance	2,200	310	+4
Saatchi	122	170	+2
Sainsbury	1,200	477	+2
Scottish & New.	2,300	467	+5
Scot. Hydro-Elect.	1,800	342	-4½
Scottish Power	2,900	321	-5
Sears	3,400	100½	-½
Sedgwick	3,100	156	+3
Seeboard	202	608	-10
Severn Trent Water	1,700	502	-13
Shell Transport	3,400	581	-1
Siebe	634	467	-8
Slough Ests	2,300	172	-2
Smith (W.H.) A	1,800	419	+5
Smith & Nephew	2,400	148½	-½
SmKl Beecham	2,300	413	+4½
SmKl Beecham Uts.	2,000	361	+4
Smiths Inds.	73	328	
Southern Elect.	935	471	-12
South Wales Elect.	167	540	-17
South West Water	180	533	-30
South West. Elec.	652	504	-13
Southern Water	786	519	-17
[illegible]			
Utd. Newspapers	1,100	570	+1
Vodafone	1,800	382	-2
Warburg (SG)	121	867	
Wellcome	1,500	729	+10
Welsh Water	421	576	-23
Wessex Water	128	618	-15
Whitbread 'A'	1,700	459	
Williams Hldgs.	1,800	329	-6
Wills Corroon	374	193	+3
Wimpey	1,000	154	
Wolseley	405	580	
Yorkshire Elect.	648	594	-15
Yorkshire Water	1,300	556	-20

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Mar 29	Apr 19	May 10
Option Declarations:		
Apr 15	May 6	May 20
Last Dealings:		
Apr 16	May 7	May 21
Account Day:		
Apr 26	May 17	Jun 1

*New time dealings may take place from 8.30am two business days earlier.

Recovery hopes lift Steel

SHARES IN British Steel consolidated their recent recovery after two securities houses turned more positive and one predicted the company would return to profit this year. Having doubled in value to become the best performer in the FT-SE 100 index over the first quarter, Steel's shares jumped 5 to 91p yesterday on turnover of 8.1m.

S.G. Warburg told clients that steel price increases announced on Tuesday, and the prospect of more to come in October, would prompt a turnaround in the group's figures. Warburg expects a loss for the year to March 1993 but is more optimistic about current-year performance and predicts a £70m profit against its previous estimate of a £30m loss.

In addition, James Capel reiterated its buy recommendation on the stock. The agency broker expects Steel to report a loss of around £150m for the year to March 1993 but break even this year.

While several other brokers remain cautious, dealers said there was a reluctance to sell the shares.

ICI surges

Heavy US interest following a strong recommendation by one New York broker prompted ICI shares to rise sharply for the second consecutive trading day.

PaineWebber, already a keen supporter of the company, raised its first-quarter earnings estimates and its 1993 prediction. It cites a recovering UK economy and the benefit of corporate cost-cutting on margins. Traders said US investors now hold less than 7 per cent of ICI shares compared with more than 20 per cent of most of the leading internationally traded companies. They added that there was a growing belief that ICI had been undeservedly mauled by the UK financial community. In London ICI shares rose 34 to 1201p.

Drug stocks revive

Heavily sold pharmaceuticals stocks recovered some of their losses helped by a hefty piece of chart analysis from Smith New Court.

Glaxo, SmithKline Beecham and Wellcome were firm as the house, which has all three as both short- and long-term buy recommendations, argued that the three companies were "well positioned to deliver above average growth".

Glaxo held out against research that claimed combinations of anti-nausea medicines might be more effective than sole use of Glaxo's Zofran. And, after the market closed, it was announced that Glaxo and SmithKline had settled a long running patent dispute. Glaxo closed 7 up at 562p while SmithKline added 4½ at 413p. Wellcome lifted 10 to 729p.

Gibbs Mew stake

Brierley Investment Limited signalled an end to hostilities at Gibbs Mew, the Salisbury-based brewer it made a hostile £11m for last summer, unloading its 19 per cent stake at a healthy profit. Brierley, a shareholder in Gibbs since 1987, built up its stake when the price was significantly below its bid price of 200p. Carr Kitcat & Aitken, the stockbroker, bought the 1.088m shares and placed them with institutions at 213p.

Bespak tumbles

Healthcare manufacturing group Bespak suffered a sharp fall as the company broker cut profit forecasts in reaction to US distribution worries. The group achieves 25 per cent of its sales through US Surgical which last week warned of lower profits and announced significant distribution changes that are expected to hit Bespak's sales. Subsequently BZW, cut its 1994 forecast for the group to £13.3m from £14.5m. The shares which had already fallen by more than 70 tumbled 66 to 561p.

Market debuts

First-day dealings in two recent flotations saw both stocks race ahead to healthy premiums.

Gear and pump manufacturer David Brown made an impressive debut as placed at 170p, the shares raced forward to 209p. Profit-taking late in the session saw the stock ease to close at 207p with a hefty 12m shares traded.

Nursing homes group Westminster Health Care achieved a more modest premium, closing at 287p compared to the 260p issue price, which capitalised it at £132.6m. Westminster made 6.4m shares available to the public, and this offer was 4.8 times subscribed. Both issues were handled by BZW.

Water and regional electricity (Recs) stocks continued to tumble as investors again shunned the sectors and dealers sought to find new levels for the shares. Sector specialists continued to point out that the stocks were suffering from a combination of high rating, a lack of news and the move from defensive to cyclical shares.

Pointing out that turnover was mostly derisory, Ms Angela Whelan at BZW added: "Water shares remain fundamentally good value. They probably have a little further to fall on current sentiment, but this should open up good buying opportunities ahead of the results season next month." Among waters, North West dropped 15 to 502p, Southern 17 to 519p and South West 20 to 533p and Yorkshire 20 to 556p. In the Recs, Northern slumped 18 to 517 and South Wales 17 to 540p.

The widely expected cut in Forte's dividend was not as deep as some in the market had predicted and that, with the enhanced scrip, left the market relieved. The shares gained 6½ to 188½p on bulky turnover of 10m. However, many analysts remain pessimistic about the hotel market in general and Forte's strategy in particular. Mr Mark Finnie at NatWest Securities, one of the specialists who first forecast yesterday's dividend cut, said: "It does not go far enough and barely gives Forte the flexibility for the rights issue which we believe it needs to recapitalise. The real issues have not been addressed."

There was tired takeover heard talk around Cadbury-Schweppes, up 5 at 485p, while another favourite candidate, United Biscuits, was spurred on by options activity and the shares advanced 7 to 384p.

A broker's buy recommendation helped Hanson shares lift 3 to 232½p. Shaw & Co advised clients that exposure to US recovery and recent falls in the share price made the stock attractive at 230p.

Big overseas earner Reuters Holdings eased 14 to 1302p in reaction to a stronger pound and reports that Lehman Brothers had signed on to EBS, an Electronic Broking System that competes with Reuters Dealing 2000-2.

An AGM statement from BP failed to ripple through to the market. In spite of a pointed comment by the chairman about the disparity between BP's rising share price and the pessimism of UK analysts, the stock was flat at 301p. BP has been well supported by the US although ADR traders in London said yesterday that enthusiasm was beginning to fade.

News of an oil discovery prompted Cairn Energy to rise 4 to 50p.

Results from cement manufacturer Blue Circle came in ahead of forecasts with overseas trading making up for poor domestic results. One leading securities house raised its 1993 profit forecast by £15m to £140m, pencilling in £175m and £205m for the following years. The shares put on 3½ to 241p. RMC Group also beat most market forecasts, the shares leaping 21 to 629p.

Yorkshire Television rose sharply on little volume as speculation returned that retailer W.H. Smith is poised to sell its 14 per cent stake in the group to Granada. Yorkshire shares gained 19 to 173p, Smith 5 to 414p, while Granada slipped a penny to 395p.

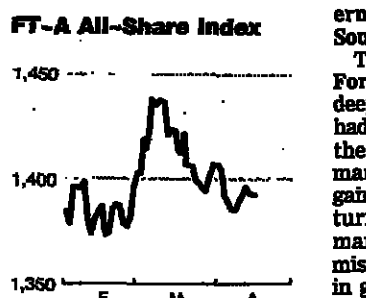
News that AT&T, the giant US telecoms group, was seeking to enter the UK telephony market predictably hurt BT, the shares dropping 6 to 420½p. Cable and Wireless, which owns Mercury, fell 8 to 742p.

Automated Security Holdings advanced 3 to 165p after announcing sharply improved first quarter profits.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Peter John.

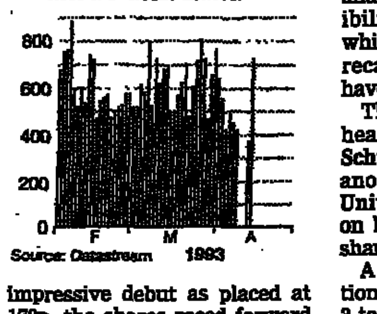
■ Other market statistics, Page 19.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (58). [illegible]

NEW LOWS (37). BRITISH FUNDS (1) Treas. 13¾pc '93, Treas. 14¼pc '94, Exch. 13½pc '94, AMERICANS (4) CPC, Sun Inc., BREWERS (2) Burn Stewart, Macallan-Glenlivet, BLDG MATLS (1) Russell (A), BUSINESS SERVS (1) Holmes Protection, CHEMS (1) Leigh Ints., ENG GEN (3) Barry Wehmiller, Bullough, Prospect, FOOD MANUF (1) Sims, FOOD RETAILING (1) Thorntons, HEALTH & HSEHOLD (5) Bespak, Creighton, Haemocell, Life Sciences, Smith & Nephew, HOTELS & LEIS (1) Chrysalis, INV TRUSTS (2) Korea Libra., New City & Comm., MEDIA (3) Allied Radio, Radio Clyde, Sunset & Vine, MISC (1) Applied Holographics, OIL & GAS (1) Sidlaw, OTHER INDLS (1) Amber Indl., PACKG, PAPER & PRINTG (1) MR Data Mngmt., PROP (2) CMW, Herring Baker Harris, STORES (2) Mallett, Oriflame, TELE NETWORKS (1) Securicor, TRANSPORT (1) NFC, SOUTH AFRICANS (1) Tiger Oats.

FINANCIAL TIMES EQUITY INDICES

	April 15	April 14	April 13	April 8	April 7	Year ago	* High	* Low
Ordinary share	2205.8	2198.2	2198.3	2180.8	2182.8	2014.9	2299.5	2124.7
Ord. div. yield	4.18	4.21	4.50	4.52	4.52	4.47	4.52	4.18
Earning yld % full	6.30	6.31	6.31	6.35	6.34	6.53	6.35	5.79
P/E ratio net	19.71	19.67	19.68	19.57	19.58	19.22	22.01	19.57
P/E ratio nil	18.41	18.37	18.36	18.25	18.27	17.99	20.30	18.25
Gold Mines	109.6	111.5	113.5	128.7	130.0	114.0	134.5	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2204.9	2204.2	2211.6	2216.9	2217.0	2216.8	2213.8	2210.2	2207.5	2218.5	2201.5

Volume	April 15	April 14	April 13	April 8	April 7	Year ago
SEAQ Bargains	30,382	26,830	28,120	24,185	25,369	36,883
Equity Turnover(£m)†	-	1414.7	1026.4	1062.8	1141.1	1333.3
Equity Bargains†	-	31,189	32,078	28,774	31,573	41,130
Shares traded (ml)†	-	738.3	380.0	426.1	480.4	528.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

INITIAL strength in Footsie futures faded as UK gilts and international bonds slipped and New York opened on a weak note, writes Joel Kibazo.

Buyers of the June contract on the FT-SE 100 were seen in the first part of the session. Having opened at 2,856 it gained steadily reaching the day's high of 2,877 around 12 pm. It registered a healthy premium to cash at the higher levels and was also said to have helped pull the underlying cash market higher.

However, the June contract began to drift lower on weakening sentiment in the gilts and a decline in the international bond markets. When Wall Street registered a negative start of trading, sellers of the June contract emerged driving it lower. It touched the day's low of 2,852 in the last half hour of trading and it finished at 2,859, three ahead of its previous close and around 4 points above its estimated fair value premium to cash of about 12. Turnover reached 6,586 lots.

The traded options were dull, and volume fell to 24,650, against Wednesday's 36,605 contracts. The Euro FT-SE 100 option was the busier of the two index options trading 5,361 lots, while the FT-SE 100 option saw business of 4,361 lots.

In the stock options, British Steel, the subject of a buy recommendation from SG Warburg, was the busiest with a total of 2,124. It was followed by Boots at 1,549.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2839.7 -2.4	3085.9 -6.8	1392.08 -1.41

	Apr 15	Day's change %	Apr 14	Apr 13	Apr 8	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2839.7	-0.1	2842.1	2848.8	2821.8	2639.6	6.36	4.01	20.10	32.21
FT-SE Mid 250	3085.9	-0.2	3092.7	3101.3	3084.3	2644.6	6.68	3.78	18.87	21.69
FT-SE-A 350	1408.3	-0.1	1409.9	1412.6	1401.2	1289.3	6.43	3.96	19.81	14.84
FT-SE SmallCap	1547.94	+0.1	1545.76	1544.38	1539.20	-	4.92	3.72	29.11	12.23
FT-SE SmallCap ex Inv Trusts	1553.73	+0.1	1552.70	1550.97	1546.84	-	5.46	3.96	26.99	12.16
FT-A ALL-SHARE	1392.08	-0.1	1393.49	1395.73	1384.98	1268.47	6.33	3.95	20.20	14.26
1 CAPITAL GOODS(213)	956.37	+0.2	954.03	953.32	945.26	863.45	5.62	4.04	23.38	9.61
2 Building Materials(27)	987.96	+1.2	975.89	976.75	969.27	1073.34	5.26	5.01	26.98	4.86
3 Contracting, Construction(29)	887.20	+1.0	878.29	870.62	858.73	980.34	2.94	3.73	80.00†	7.01
4 Electricals(15)	2679.52	-0.5	2693.63	2683.67	2683.22	2578.14	5.58	5.04	22.79	19.67
5 Electronics(37)	2692.70	+0.2	2688.44	2682.82	2670.62	1881.77	5.88	2.96	21.50	18.20
6 Engineering-Aerospace(7)	342.52	-0.4	343.97	344.02	339.22	383.51	5.99	4.19	22.14	3.19
7 Engineering-General(51)	550.15	-0.4	552.46	551.74	545.78	525.46	7.08	3.86	18.01	5.61
8 Metals & Metal Forming(11)	394.56	+2.6	384.60	382.45	374.11	349.58	4.40	3.12	33.05	0.86
9 Motors(18)	388.03	+0.1	387.83	388.29	385.92	347.26	5.28	5.68	27.07	5.63
10 Other Industrials(18)	2078.43	-0.2	2082.40	2085.11	2070.13	1755.82	5.70	3.95	21.54	32.68
21 CONSUMER GOODS(236)	1640.63	+0.2	1636.86	1633.17	1623.35	1711.96	7.05	3.45	17.68	13.23
22 Brewers and Distillers(29)	1952.20	-	1952.30	1944.99	1908.41	2123.91	8.25	3.70	14.82	10.78
25 Food Manufacturing(22)	1382.77	+0.2	1379.79	1369.72	1357.65	1287.42	7.27	3.85	17.16	18.05
26 Food Retailing(18)	3004.17	+0.5	2988.30	2983.83	2910.60	2730.62	8.54	3.34	15.25	3.30
27 Health & Household(29)	3311.37	+0.9	3281.27	3271.97	3315.19	4333.94	6.87	3.41	16.86	28.93
29 Hotels and Leisure(21)	1295.60	-0.3	1299.13	1295.85	1287.19	1406.55	6.12	4.77	21.85	20.90
30 Media(33)	1898.29	-0.3	1903.94	1887.15	1900.10	1807.12	6.31	2.70	23.35	21.46
31 Packaging and Paper(24)	854.24	-0.1	854.80	856.11	853.33	797.88	6.28	3.42	19.85	8.78
34 Stores(39)	1149.60	+0.1	1148.15	1155.24	1144.00	1059.47	6.32	3.02	20.94	6.76
35 Textiles(20)	798.42	-0.1	799.62	795.08	800.61	732.47	6.38	3.84	19.95	9.75
40 OTHER GROUPS(142)	1488.62	-0.5	1494.62	1504.12	1492.82	1290.43	8.25	4.22	14.89	14.24
41 Business Services(27)	1624.13	+0.4	1617.30	1613.81	1597.85	1406.85	6.52	3.10	20.35	4.32
42 Chemicals(23)	1484.05	+1.3	1464.64	1460.48	1451.11	1551.76	6.07	4.65	20.77	22.82
43 Conglomerates(11)	1411.06	-0.7	1401.03	1408.37	1397.54	1426.15	7.47	5.33	15.13	13.71
44 Transport(16)	2872.50	-0.8	2889.08	2891.43	2868.17	2570.84	7.55	3.91	15.97	37.01
45 Electricity(16)	1723.76	-1.7	1762.56	1804.96	1788.64	1265.84	12.50	4.15	10.26	28.88
46 Telephone Networks(4)	1736.18	-1.2	1757.81	1770.75	1754.19	1428.87	7.59	3.69	17.18	1.63
47 Water(13)	3505.48	-2.8	3607.32	3683.88	3688.65	2749.02	12.66	4.74	8.89	11.83
48 Miscellaneous(32)	2232.38	+0.2	2228.05	2223.07	2300.30	1999.14	6.94	4.36	17.90	41.04
49 INDUSTRIAL GROUP(556)	1428.34	-	1428.67	1431.24	1421.24	1395.38	7.19	3.85	17.38	12.52
51 Oil & Gas(18)	2458.19	-0.1	2460.72	2477.92	2481.58	2104.10	5.63	4.71	23.09	25.78
59 "500" SHARE INDEX(609)	1520.50	-	1520.99	1523.64	1514.41	1435.70	7.02	3.93	17.87	13.90
61 FINANCIAL GROUP(89)	985.30	-0.5	993.59	995.20	978.91	728.50	3.36	4.28	52.81	18.57
62 Banks(9)	1340.78	-0.6	1349.32	1347.89	1320.50	919.24	4.80	4.02	30.59	26.94
65 Insurance (Life)(6)	2032.39	-0.9	2051.57	2067.44	2027.25	1528.39	2.50	4.38	69.72	41.18
66 Insurance (Composite)(7)	658.87	-0.7	663.40	672.26	658.91	494.38	‡	4.71	‡	11.39
67 Insurance Brokers(10)	784.94	+0.9	777.98	776.80	777.30	946.06	7.30	4.99	18.40	10.70
68 Merchant Banks(6)	637.01	+0.4	634.23	631.01	626.31	479.74	7.20	3.45	17.81	4.21
69 Property(28)	782.53	-0.5	786.09	786.93	788.03	655.79	6.07	5.07	22.27	1.70
70 Other Financial(23)	353.34	+0.3	352.35	349.55	345.86	245.78	6.52	4.64	20.14	2.76
71 Investment Trusts(108)	1452.28	+0.1	1450.23	1448.57	1432.78	1212.79	2.27	2.81	43.97	11.87
99 FT-A ALL-SHARE(895)	1392.08	-0.1	1393.49	1395.73	1384.98	1268.47	6.33	3.95	20.20	14.26

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2847.1	2842.7	2848.3	2851.6	2852.4	2854.0	2851.0	2844.3	2840.5	2854.1	2839.0
FT-SE Mid 250	3093.2	3091.0	3089.2	3088.0	3087.6	3088.7	3089.4	3086.8	3085.7	3094.7	3085.1
FT-SE-A 350	1411.9	1409.9	1411.9	1413.1	1413.4	1414.1	1413.0	1410.1	1408.6	1414.2	1408.3

Time of FT-SE 100 high: 11:36 ; low: 08:44

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1724.1	1725.9	1727.5	1732.1	1734.0	1738.5	1738.7	1738.7	1737.5	1738.2	1716.0	+22.2
Health & H	997.4	996.1	993.7	1000.6	1000.1	1001.9	999.6	997.1	995.3	995.4	985.5	+9.9
Water	1488.5	1484.9	1460.3	1452.9	1448.9	1451.8	1454.7	1448.9	1447.2	1447.6	1490.5	-42.9
Banks	1639.0	1629.4	1632.9	1634.0	1633.2	1639.6	1639.4	1635.3	1629.3	1628.9	1639.6	-10.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
 The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 12½pc 1993‡‡		101⅞	—	103⅛	101⅛	12.29	
Funding 6pc 1993‡‡		100¼	—	100¼	99⅛	5.99	
Treas 13¾pc 1993‡‡		104⅞	-⅛	106⅛	104⅛	13.13	
8½pc 1994		102¼	-⅛	102⅞	101⅞	8.31	
14½pc 1994‡‡		107¼	-⅛	109¼	107¼	13.50	
Exch 13½pc 1994		107⅞xd	-⅛	109⅛	107⅛	12.54	
Treas 10pc Ln 1994‡‡		104⅝	-⅛	105⅛	104⅛	9.56	
Exch 12½pc 1994		108⅞	-⅛	110⅛	108⅛	11.52	
Treas 9pc 1994‡‡		104⅛xd	-⅛	105⅛	103⅛	8.61	
12pc 1995		109⅞	-⅛	111⅛	109⅛	10.93	
Exch 3pc Gas 90-95		96⅛xd		96¼	94	3.12	
10¼pc 1995		108⅞	-⅛	109⅞	107⅝	9.45	
Treas 12¾pc 1995‡‡		115⅛xd	-⅛	116⅞	114⅛	11.08	
14pc 1996		118⅝	-⅛	120⅝	117⅛	11.80	
15¼pc 1996‡‡		123⅛xd	-⅛	125⅝	122⅛	12.37	
Exch 13¼pc 1996‡‡		118⅛xd	-⅛	120⅛	116⅞	11.22	
Conversion 10pc 1996		110⅛xd	-⅛	111½	109	9.06	
Treas 13¼pc 1997‡‡		120⅞	-⅛	122⅛	119⅛	10.97	
Exch 10½pc 1997		112⅛	-⅛	113⅝	110⅛	9.35	
Treas 8¾pc 1997‡‡		107⅛	-⅛	108⅞	105½	8.17	
Exch 15pc 1997		130⅛xd	-⅛	132⅞	128⅛	11.53	
9¾pc 1998		110⅞	-⅛	112⅝	109⅞	8.80	
Five to Fifteen Years							
Treas 7¼pc 1998‡‡		101⅞	-⅛	103¼	99⅞	7.13	
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
Treas 11½pc 2001-4		120¾	-¼	122⅞	116⅞	9.53	7.93
[illegible]							

BRITISH FUNDS - Cont.

Index-Linked

[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅛xd	—	20$\frac{1}{16}$	15½	13,485	2.9
Allegheny & W	♥	521p	—	571p	398p	270.7	4.0
Amdahl		398p	+11	581p	385p	444.7	1.7
Amer Cyanamid		32¼	+½	38⅝	31¼	2,987	3.5
Amer Express		19$\frac{1}{16}$xd	+$\frac{3}{16}$	19½	14⅞	9,112	3.6
Amer T & T		37$\frac{13}{16}$xd	—	40⅞	33⅛	50,462	2.4
Ameritech		50¼	+⅞	52¼	46	22,001	5.0
BankAmerica		34⅛xd	+¼	38$\frac{1}{16}$	28⅞	11,758	2.8
Bankers NY		49$\frac{5}{16}$xd	-⅛	51$\frac{1}{16}$	42⅝	3,917	4.4
Bell Atlantic		35	—	38⅛	32¼	15,151	5.3
BellSouth		35½	—	38⅞	33½	17,837	5.4
Bethlehem Steel	♥	11⅛xd	-$\frac{1}{16}$	13¼	10	1,098	—
Bowater		1449pxd?	+4?	1682p	1335p	524.8	1.9
CPC		27¼xd	-⅛	34⅞	27¼	4,127	3.2
Cadiz Land Inc	♥	70p	—	115p	70p	—	—
California Engy		1372p	—	1478p	1098p	249.8	—
Chase Manhattan		23⅝xd	-⅜	24½	17⅝	3,728	3.5
Chrysler		27$\frac{13}{16}$xd	+¼	28⅞	21¼	6,144	1.5
Citicorp		19¼xd	-⅜	20$\frac{1}{16}$	13¾	7,096	—
Colgate-Palm		49⅛xd	+¼	45⅝	35¼	6,486	2.1
Cont'l Bank		1882p	+31	1877p	1278p	1,821	2.3
Dana?		30⅝xd	+½	34⅞	28$\frac{13}{16}$	1,406	3.6
Data General		711p	+30	951p	681p	198.2	—
Decora Inds	♥	126p	—	146p	126p	—	—
Dun & Brad		38⅞	-⅛	42⅞	37¼	6,837	4.1
Eaton		57	+1⅛	59⅝	50⅝	1,978	2.7
Echlin		15$\frac{1}{16}$xd	+$\frac{1}{16}$	18⅞	15$\frac{1}{16}$	891.9	3.1
FPL		24$\frac{1}{16}$xd	+¼	27⅝	23¼	4,482	6.9
Ford Motor		35½	+⅛	35⅞	28$\frac{7}{16}$	17,328	1.9
Gen Elect		60⅞xd	+1$\frac{1}{16}$	61¼	53⅞	51,989	2.9
General Host	♥	581p	—	728p	573p	—	4.1
Gillette		36⅛xd	-⅜	42⅞	35⅞	7,938	1.4
Hasbro		20⅞	—	20⅞	20⅝	1,815	0.8
Honeywell		21¾xd	+¼	24⅜	20$\frac{13}{16}$	2,972	2.8
Houston Inds		31	+¼	33¼	29¼	4,014	6.7
IBM		31⅞	+⅛	38¼	29⅝	18,044	4.7
Ingersoll-Rand		19$\frac{13}{16}$xd	+¼	25	19⅜	2,069	2.4
Lockheed		41¾	+1	42⅝	35⅛	2,561	3.5
Lowe's	h	2052p	-15	2339p	1573p	1,497	0.9
Merrill Lynch		49⅝xd	—	50$\frac{13}{16}$	37	5,099	1.7
Morgan (JP)		46$\frac{1}{16}$xd	-⅛	48½	38¼	8,818	3.6

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv ......‡□	190½	+½	201	183	3.0	230.8	16.1
Warrants ......□	43	—	49	38	–	–	–
Scot Mortgage ...‡†□	188	—	201	178	2.6	218.6	14.2
Scot National Inc‡k□	91	—	95½	83	10.3	–	–
Cap ......□	25	+1	25	16	–	65.5	63.4
Stepped Pf	153	–½	155¼	150¾	5.8	–	–
Zero Div Pf	207½	—	212	207	–	–	–
Warrants	3½	+½	5	3	–	–	–
Scot Value ......†a	79½	—	78¾	71	2.8	74.8	–6.3
Sec Alliance ......‡†	1434	—	1503	1390	3.2	1588.9	9.7
Second Consld. ......□	105	—	112	88	–	173.8	39.8
Second Market ......a	324	—	324	256	0.8	364.8	11.3
Sec Tst Scot ......‡□	81½	—	84½	74½	5.0	83.4	2.8
Select Assets	123	—	130	109½	1.2	165.2	25.6
Eq Ind Sed	131xd	—	134	128	4.1	–	–
Eq Ind Serll	131xd	—	134	128	4.1	–	–
SHIRESCOT ......aH	122	—	123	104	5.4	118.8	–2.9
Shires ......‡	254	—	262	231	8.1	249.0	–2.0
11pc Cv Ln '03/04 ...	£124	—	£131½	£115½	8.9	–	–
Siam Select	129	—	133	97	0.2	139.6	7.5
Warrants	34	—	37	15	–	–	–
Smaller Cos ......□	106	—	107	78	3.1	109.1	2.8
Warrants	27	—	27	14	–	–	–
Sphere Inc ......□	20½	—	21½	14	19.8	30.3	32.4
Zero Div Pf	85	—	85¼	80¾	–	–	–
Scott	50	+3	50	38	3.5	90.1	44.5
TR City of Lon ......□	134½	—	140¼	126	4.6	129.6	–3.8
TR Euro Growth ...‡□	102	—	109	76	1.7	113.0	10.2
Ptg Sub	55	—	58	27	3.1	–	–
TR Far East Inc ..‡†□	131	—	139	112	4.3	131.9	1.0

MINES - Cont.

Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Europa Minls	16	—	16	15	7.72	–
Glencar Expl I£ ......††	7	—	8	6	1.29	–
Greenwich Res ......‡□	13	—	18½	5	10.0	–
Henlo Gold C$	£4¼	—	£5	£3½	458.0	2.1
Ivernia West I£ ......††□	63	—	57	31	26.7	–
Kenmare ......‡□	8⅛	–¼	9¼	6	7.93	–
Mallnge Res.	14	—	25½	14	1.54	–
Nevan Res I£ ......‡	31	+3	34	25	4.15	–
5pc Ln Notes	30	—	34	25	5.45	–
Oryx Gold	63½	–5½	71	47	–	–
Plateau ......♦	3	—	3	3	1.37	–
RTZ ......‡□	658	–8	709	634	6,608	4.0
Vizcaya ......‡□	6½	—	5¾	2¾	2.94	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ Free annual/interim report available, see details below.
- ⁑ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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• Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund America	5	150.8	152.3	160.3	-0.70	0.00
AIB Grofund Equity	5	203.8	208.9	218.9	-0.30	3.14
AIB Grofund Euro	5	159.5	161.1	169.6	-0.30	0.03
AIB Grofund Exp Smaller Cos	3	99.18	101.0	104.2	—	1.86
AIB Grofund Gilt	3	77.71	77.87	80.28	-0.22	5.06
AIB Grofund Japan	5	161.9	163.4	172.0	-2.20	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	414.6	416.5xd	443.1	+0.5	2.50
General Acc	5	466.3	457.2xd	486.4	+0.4	2.50
UK Growth Acc	6	303.2	307.5xd	327.5	-0.1	2.89
UK Growth Inc	6	214.7	217.7xd	231.7	-0.1	2.89
Higher Inc Acc	6	550.9	559.1xd	594.8	-3.8	3.86
Higher Inc Inc	6	334.5	339.4xd	361.1	-2.1	3.86
Gilts/Fxd Int Acc	5½	175.9	175.9xd	185.3	-0.5	6.06
Gilts/Fxd Int Inc	5½	92.01	92.01xd	97.17	-0.25	6.06
Nth America	6	238.9	244.4xd	260.0	+1.5	0.00
Far East	6	280.2	282.6xd	302.8	+2.7	0.15
Europe	6	214.4	216.2xd	230.0	-0.2	0.93
Brit Excell	6	82.44	82.44	86.43	+0.1	2.83
Brit Fndmtls Acc	6	83.61	83.61xd	88.95	-0.62	5.06
Brit Fndmtls Inc	6	64.86	64.86xd	69.00	-0.42	5.06
Global Opps	6	69.65	69.59	74.04	+0.05	0.00
Balanced Acc	6	46.36	46.82	49.80	-0.05	3.06
Balanced Inc	6	46.36	46.82	49.80	-0.05	3.06
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Gilts & Fixed Int	6	130.7	130.7xd	139.5	-0.7	6.94
High Inc Equity	6	144.9	147.8xd	157.2	-0.4	5.06
Worldwide Bond	6	259.4	259.4	275.0	+1.4	4.40
American Growth	6	282.2	282.2	301.9	+1.0	.67
Asian Pacific	6	215.2	217.7	231.5	+2.2	.70
Assets & Earnings	6	221.7	226.3	240.7	-0.9	2.33
Capital Reserve Acc	0	125.4	125.4	125.5	—	5.22
Comdty & Energy	6	67.57	67.57xd	72.28	+0.15	.76
1992 Enterprise	6	79.21	79.21	84.71	+0.14	2.08
Euro Capital Acc	6	107.5	107.5	114.9	-0.3	.90
Euro Capital Inc	6	101.1	101.1xd	108.1	-0.3	.90
General	6	197.4	201.3	214.1	-0.6	2.54
Japan	6	114.4	114.4	122.3	+0.9	-
Mastertrust	6	113.3	113.3	121.1	+0.3	1.03
UK Growth Acc	6	177.7	177.7	190.0	+0.3	2.92

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1						071-407 5966
Income	5	390.3	390.3	410.86	-1.94	4.29
Global Inc	5	57.06	57.06	60.7	+0.01	3.18
Brit Leaders	5	308.96	308.96	328.68	-0.84	2.16
Intl Leaders	5	183.54	183.54	195.26	+0.09	0.57
P Am Mar Bal Exch Inc	3¼	52.67	54.03	56.14	-0.25	2.83
Singer & Friedlander UT Mngmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF						081-663 3003
European Trust	6	62.58	62.58	66.63	-0.08	1.23
Far Eastern Tst	6	57.73	58.55	62.29	+0.78	0.81
Smaller Cos	5	144.7	144.7	153.8	-5.10	1.94
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS						071-637 5377
S & W American ♦	5	255.0	255.0	270.4	-4.70	0.69
S & W Capital	5	116.4	116.4	124.6	+0.60	1.80
S & W Cash ♦	0	100.35	100.35xd	100.35	+0.01	6.36
S & W European	6	113.5	113.5	120.1	-0.20	1.20
S & W Far Eastern	5	132.8	134.2xd	142.0	+2.00	0.00
S & W Growth	6	125.1	125.7	134.0	-0.70	1.47
S & W Income	6	111.8	112.9xd	119.4	-0.60	4.46
S & W Magnum	5	123.2	123.2	132.0	+0.50	1.62
S & W Smlr Secs	5	301.3	308.1xd	328.0	+0.60	0.73
S & W Thoroughbred	5	142.4	142.4xd	152.7	+0.80	1.80
Societe Generale Touche Remnant (1200)F						
3 Finsbury Ave, EC2M 2PA						071-410 4029
American Gwth	5¼	78.73	78.73xd	84.20	+0.30	0
Eur Sp Sits Acc	5¼	48.67	48.67	49.61	+0.02	0
Eur Sp Sits Inc	5¼	44.07	44.07xd	45.85	+0.02	0
Far East Opps Inc	5¼	29.11	29.11	31.36	+0.10	0
Far East Opps Acc	5¼	29.92	29.92	32.22	+0.10	0
General Growth	5¼	95.80	95.80	103.80	+0.20	2.08
General Growth Acc	5¼	98.36	98.36	106.40	+0.30	2.03
Global Tech	5¼	108.80	108.80	117.80	+1.16	0
Income Growth	5¼	98.11	98.11	105.60	—	3.64

	Bid Price	Offer Price	+ or -	Yield Gross
James Capel Fund Managers Ltd				
European Exempt	£109.295	110.565	-0.544	2.84
Japanese Exempt	£136.134	138.21	+0.841	0.72
Managed Exempt	£130.889	137.486	-0.032	3.12
North American Exempt	£99.7063	101.878	+0.287	1.18
Pacific Exempt	£113.087	115.544	+0.683	3.00
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AD				071-588 1815
Inv Fund Mar 31	606.20	612.60	—	4.72
Fxd Int Sec Feb 26	156.76	166.30	—	9.28
Deposit Fund: See Money Market Trust Funds				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS				071-280 2800
Charinco Inc	177.8	179.7	-0.80	9.13
Charinco Acc	1067	1078	-5.00	9.13
Charishare Inc	188.9	192.9	-1.00	4.16
Charishare Acc	246.1	251.3	-1.40	4.15
CAFINVEST-Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD				0732 771333
Balanced Growth	66.46	68.22	—	3.68
Income	80.90	82.02	—	7.69
COIF-Charities Official Inv Fd‡‡				
2 Fore Street, London EC2Y 5AD				071-588 1815
Income Mar 31	590.99	597.40	—	5.00
Accum Mar 31	2331.80	2337.62	—	-
Fixed Int Income Mar 31	127.00	127.01	—	9.13
Fixed Int Accum Mar 31	167.76	167.76	—	-
Deposit Account: see Money Market Trust Funds				
Charity Fixed Int Fd/Charity Equity Fd				
33 Gutter Lane EC2V 8AS 071-382 6900 (Gen Enquiries)				
071-382 3919 (Dealing)				
Charity Equity Inc	116.90	119.60xd	+0.09	3.70
Charity Equity Acc	121.50	124.30xd	+0.10	3.70
Charity Fixed Int Inc	105.52	108.70xd	-0.10	8.60
Charity Fixed Int Acc	110.09	111.22xd	-0.10	8.60

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INSURANCES

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OTHER UK UNIT TRUSTS

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	Bid Price	Offer Price	+ or -	Yield Gross
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	162.5	171.6	----	-
Accum Equity	248.5	262.0		-
Accum Managed	262.0	276.5	+0.5	-
Accum Five Star	198.5	209.5	+0.5	-
Accum World	143.0	151.0	+0.5	-
Accum Emerg Mkts	223.0	235.5	+2.0	-
Pens Acc Equity	276.0	291.0	----	-
Pens Acc Managed	344.5	363.5	+1.0	-
Pens Acc Emerg Mkts	264.0	278.5	+3.0	-
Pens Acc Deposit	233.5	246.5	----	-
Pens Acc Five Star	224.0	236.5	+0.5	-
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	264.4	279.0	(z)	-
UK Fixed Int Acc	225.6	238.0	(z)	-
Intl Equities Acc	224.3	236.7	(z)	-
UK Managed Acc	192.3	202.9	(z)	-
Property Acc	221.2	233.4	(z)	-
Money Acc	145.6	153.6	(z)	-
Special Market Acc	184.0	194.1	(z)	-
Japan Equity Acc	114.5	120.8	(z)	-
North American Acc	146.7	154.8	(z)	-
Pacific Acc	133.9	141.3	(z)	-
European Acc	122.3	129.1	(z)	-
Hong Kong Acc	116.6	123.0	(z)	-
Int Fixed Interest Acc	74.3	78.4	(z)	-
Int Managed Acc	69.5	73.3	(z)	-
HIP Managed II Acc	120.1	126.6	(z)	-
HIP Managed III Acc	128.8	135.9	(z)	-
Balanced Growth Acc	115.6	121.9	----	-
Building Society		100.0	----	4.33
Total Investment Bond				
UK Equity Initial		176.8	(z)	-
UK Fixed Int Initial		151.2	(z)	-
Intl Equities Initial		149.1	(z)	-
UK Managed Initial		128.8	(z)	-
Property Initial		149.3	(z)	-
Money Initial		98.1	(z)	-
Special Market Initial		140.4	(z)	-
Japan Equity Initial		87.5	(z)	-
North American Initial		112.0	(z)	-
Pacific Initial		102.2	(z)	-
European Initial		107.9	(z)	-

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Heritage Life Assurance Ltd – Contd.				
Pension Unit Trust Funds				
Gartmore Global Ser B	222.8	234.6	+1.3	-
Gartmore NA Ser B	148.2	156.0	+0.8	-
Gartmore Pacific Ser B	410.7	432.4	+9.2	-
Henderson Acc Ser B	229.8	241.9	+0.8	-
Perpetual Mng Ser B	255.8	269.3	+0.4	-
Framlington Mn Ser B	221.0	232.7	+0.2	-
Gartmore Mngd Ser B	256.3	269.8	+0.6	-
Gartmore Euro Ser B	162.6	171.2	+0.2	-
Gartmore Global Ser D		144.1	+0.9	-
Gartmore NA Ser D		172.9	+0.7	-
Gartmore Pacific Ser D		222.0	+6.0	-
Henderson Acc Ser D		174.9	+0.5	-
Perpetual Mng Ser D		192.4	+0.4	-
Framlington Mn Ser D		161.7	+0.2	-
Gartmore Mngd Ser D		216.6	+0.5	-
Gartmore Euro Ser D		128.0	+0.2	-
Baring Funds				
Eastern	278.2	292.9	+2.4	-
European Smlr Cos	163.3	171.9	-0.3	-
Managed	183.7	193.4	+0.3	-
Gartmore Funds				
British	320.6	337.5	-0.6	-
European	219.4	231.0	----	-
Frontier Markets	141.9	149.4	+2.1	-
Global Bond	112.0	117.9	+0.7	-
Gold Intl Resources	54.0	56.9	-0.1	-
High Inc	260.1	273.8	+0.6	-
Hong Kong	309.1	325.4	+2.3	-
Income	394.0	414.8	-2.0	-
Japan	392.6	413.3	+8.1	-
UK Smlr Cos	277.2	291.8	+8.2	-
Man Gth	399.6	420.7	+2.3	-
Global Inc & Gwth	154.6	162.7	+0.9	-
Pacific Growth	245.0	257.9	+2.1	-
INVESCO MIM				
European Smaller	139.3	146.7	+0.7	-
Sth & East Asia Gwth	257.1	270.7	+2.1	-
Inc Growth	286.1	301.2	-1.2	-
Japan Smlr Cos	224.2	236.0	+2.7	-
Man Growth	225.4	237.3	----	-
Gilt	78.7	82.9	-0.2	-
Perpetual Funds				
International Growth	132.2	139.2	+0.6	-
American Growth	192.8	203.0	+1.4	-
Intl Emerging Cos	177.0	186.4	+1.6	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, St. Helier, Jersey 0534 74589						
Capital House International Growth Funds Ltd ◆						
Equities						
UK Equity	5½	£1.453	1.463	1.574	[illegible]	-
North American	5½	$1.734	1.786	1.874	[illegible]	-
Japanese	5½	$1.670	1.670	1.772	[illegible]	-
Pacific Basin	5½	$3.102	3.181	3.355	[illegible]	-
Continental European	[illegible]	£2.445	2.474	2.626	[illegible]	-
Gold	5½	$0.933	0.933	0.987	[illegible]	-
Bonds						
Sterling Bond	5½	£1.938	1.938	2.055	-0.01	6.43
International Bond	5½	$2.201	2.201	2.334	—	4.63
US Dollar Bond	5½	$1.667	1.667	1.768	[illegible]	4.32
Currencies						
£ Sterling	0	£31.06	31.06	31.06	—	5.06
US$	0	$20.58	20.58	20.58	—	2.01
Japanese Yen	0	Y3999	3999	3999	+1.0	2.77
D Marks	0	DM69.90	69.90	69.90	+0.01	7.31
Ecu's	0	Ecu33.55	33.55	33.55	+0.01	6.40
Managed						
Intl Portfolio	5½	$1.898	1.918	2.036	[illegible]	0.00
Managed Currency	5½	$2.449	2.449	2.592	[illegible]	1.24
Bartmore Fund Managers International Ltd						
PO Box 278, 45 La Motte St., Jersey 0534 27635						
Capital Strategy Fund Ltd (s)						
American Fd			$- 2.0280		[illegible]	-
Canadian Fd			C$- 0.9796		[illegible]	1.25
British Fund			£- 2.9440		[illegible]	3.00
European Fund			DM- 5.0950		[illegible]	-
Asia Pacific Fd			$- 2.9610		[illegible]	-
Japan Fund			Y- 662.7000		[illegible]	-
Australasian Fd			A$- 0.4069		[illegible]	2.00
Global Resources			$- 0.7221		[illegible]	1.25
Emerging Mkts Fd			$- 2.0960		[illegible]	0.50
Int Growth Fund			$- 3.4690		[illegible]	0.50
Sterling Bond Fd			£- 1.2050		[illegible]	6.63
ECU Bond Fund			Ecu- 0.9772		[illegible]	7.03
Int Bond Fund			$- 1.2160		[illegible]	[illegible]

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen recaptures lost ground

THE YEN yesterday recaptured some of the ground it had lost to the US dollar on Wednesday amid signs that US officials would still like to see the yen strengthen to reduce the Japanese trade surplus, *writes James Blitz.*

Earlier in the week, the announcement of a Y13,200bn fiscal package to stimulate the Japanese economy appeared to have brought the upward march of the yen to a halt. In Thursday's Tokyo trading, the dollar strengthened against the Japanese currency and, at one stage, was even testing the Y114 level, having hit a new record low of Y112.58 on Monday.

The situation changed in yesterday's European trading, however, as more detail became known about the US response to the fiscal package.

There was a strong focus on a report in the Washington Post newspaper, suggested that Mr Kiichi Miyazawa, the Japanese prime minister, might signal that Japan is prepared to let the yen rise following his meeting with President Bill Clinton today.

This helped the yen back up to a London close last night of Y113.20 to the dollar, from a previous Y113.95. The yen was also stronger against the D-Mark, however, closing at Y70.62 from a previous Y71.66.

Trading inside the European exchange rate mechanism was calm, in spite of what seemed rather hawkish comments from Mr Helmut Schlesinger, the Bundesbank president.

Mr Schlesinger said that, if higher interest rates could not help relieve pressure on weaker ERM currencies, the only solution would be for them to devalue. He was also reported as saying that the Bundesbank would continue to lower its interest rates gradually.

The comments had little impact on ERM currencies. There were rumours that the Bundesbank had announced a press conference to follow next Thursday's council meeting, but a Bundesbank spokesman said there were no such plans.

The French franc closed a fraction stronger at FFr3.378 to the D-Mark from a previous FFr3.380. The peseta closed almost unchanged at Pta72.07 to the D-Mark. Sterling continued to strengthen against the D-Mark following this week's spate of good data. It closed ¾ of a pfennig up on the day at DM2.4775.

However, Mr Steve Hannah, director of IBJ International in London, said the Bundesbank president's comments might have an impact on the ERM grid in the longer term. "We have to recognise that, if ERM pressures did re-emerge, the peer group of the system feels more-and-more that people should devalue currencies at an earlier stage," he said.

The dollar perked up against the D-Mark, helped by short-covering of the US currency following the recent sell-off. The weekly jobless figure was dollar positive, falling to 335,000 from a previous 373,000. The dollar closed at DM1.6025 from a previous DM1.5915.

£ IN NEW YORK

Apr.15	Latest	Previous Close
£ Spot	1.5415-1.5425	1.5520 1.5530
1 month	0.37-0.36pm	0.38 0.36pm
3 months	1.06-1.04pm	1.05 1.02pm
12 months	3.62-3.52pm	3.55 3.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.15	Previous
8.30 am	80.8	80.4
9.00 am	80.7	80.5
10.00 am	80.6	80.6
11.00 am	80.7	80.6
Noon	80.7	80.9
1.00 pm	80.7	80.9
2.00 pm	80.7	80.8
3.00 pm	80.8	80.9
4.00 pm	80.8	80.8

CURRENCY RATES

Apr 15	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.908467	0.787627
U.S Dollar	3.00	1.41291	1.21767
Canadian $	6.09	1.78451	1.53548
Austrian Sch	7.00	15.7723	13.7073
Belgian Franc	7.00	46.0856	40.1009
Danish Krone	10.00	8.58625	7.47528
D-Mark	7.50	2.24088	1.94803
Dutch Guilder	7.00	2.51879	2.18913
French Franc	10	7.58814	6.58882
Italian Lira	11.50	2164.04	1881.36
Japanese Yen	2.50	160.295	137.658
Norway Krone	-	9.51030	8.25763
Spanish Peseta	-	161.453	140.592
Swedish Krona	11.50	10.4089	9.08163
Swiss Franc	5.00	2.05225	1.77983
Greek Drach	19	N/A	265.793
Irish Punt	-	N/A	0.798682

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Apr.14

CURRENCY MOVEMENTS

Apr 15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	80.8	-29.34
U.S Dollar	64.3	-13.70
Canadian Dollar	95.1	-7.04
Austrian Schilling	115.3	+17.03
Belgian Franc	116.0	+1.98
Danish Krone	118.7	+12.73
D-Mark	125.5	+32.41
Swiss Franc	110.8	+19.08
Dutch Guilder	119.7	+21.30
French Franc	110.4	-6.00
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Peseta	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Apr.14

OTHER CURRENCIES

Apr 15	£	$
Taiwan	40.40 - 40.55	26.05 - 26.15
U.A.E.	5.6885 - 5.7020	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 15	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Irish Punt	0.809996	0.798682	-1.40	2.02	53
Spanish Peseta	142.150	140.592	-1.10	1.71	19
Dutch Guilder	2.20045	2.18913	-0.51	1.11	15
Belgian Franc	40.2802	40.1009	-0.45	1.04	11
D-Mark	1.95294	1.94803	-0.25	0.85	3
Portuguese Escudo	180.624	180.751	0.07	0.52	-1
Danish Krone	7.44934	7.47528	0.35	0.25	-25
French Franc	6.54988	6.58882	0.59	0.00	-45

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5425 - 1.5530	1.5460 - 1.5470	0.38-0.36cpm	2.87	1.08-1.06pm	2.75

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Pta	0.580	0.866	1.387	97.98	4.686	1.265	1.558	1337	1.092	28.44	100.	0.711
Ecu	0.787	1.218	1.951	137.8	6.591	1.780	2.191	1880	1.535	40.00	140.6	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls May	Calls June	Calls September	Puts May	Puts June	Puts September
115	-	2.97	-	-	0.06	-
116	-	2.07	-	0.03	0.14	0.56
117	1.02	1.24	2.15	0.08	0.32	0.85
118	0.32	0.53	1.55	0.37	0.68	1.26
119	0.06	0.25	0.90	-	-	1.80
Open Int	21,897	168,098	113,058	11,161	134,576	63,609

Estimated volume 33,655 † Total Open Interest 530,716

† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	8
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Day out for rate bears

SHORT-DATED sterling futures fell again yesterday as dealers took the view that another cut in UK base rates was increasingly unlikely, *writes James Blitz.*

There was no concrete news to make the sterling market so modest in its view of rate cuts yesterday. But this week's raft of good economic indicators has robbed the cash and futures markets of their speculative edge.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Although sterling futures dealers had a relatively quiet morning, there was a sharp sell-off in the front-month contracts at 2 pm.

The June contract fell 6 basis points on the day to a close of 94.06, while the September contract fell 7 basis points to close at 94.15. At this level, the market is predicting that 3-month sterling cash rates will be at 5.85 per cent by the autumn, and that they will go no lower.

There was an equally downbeat view in the interbank market, partly influenced by a huge shortage of £2.5bn forecast by the Bank of England.

Three-month money closed a touch firmer at $5\frac{31}{32}$ per cent from a previous $5\frac{15}{16}$ per cent.

The cost of overnight lending touched 10 per cent as the shortage proved difficult to remove, and there was late assistance of £315m.

One dealer in a London-based commercial bank said he could not remember the market being as negative about rate cuts for many years. There are now only 15 basis points separating the December 1993 contract from most cash rates out to 1 year.

Another dealer was more cautious. "There is something of a recovery going on in the Uk economy," he said. "But we will need more figures in a month's time before people lose all hope of a rate cut."

In Europe, dealers were particularly concerned by comments from the Bundesbank President, who said that, if interest rate cuts did not relieve pressure on weaker currencies in the European exchange rate mechanism, the only solution might be devaluation.

The June Euromark contract consequently fell back 3 basis points to close at 92.73, nearing the lows seen in January. The June French franc contract was up 1 basis point at 91.69. German call money rates remained firm at between 8.20 and 8.25 per cent as tax payments drained liquidity from the market.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.15) 3 months US dollars: bid $3\frac{1}{8}$ offer $3\frac{1}{4}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

Prime rate	6
Broker loan rate	5
Fed.funds	$3\frac{1}{8}$
Fed.funds at intervention	$3\frac{1}{8}$

LONDON MONEY RATES

Treasury Bills (sell); one-month $5\frac{21}{32}$ per cent; three months $5\frac{9}{16}$ ... Bills (sell); one-month $5\frac{3}{4}$ per cent; three months $5\frac{5}{8}$ per cent ... discount 5.2544 p.c. ECGD Fixed Rate Sterling Export Finance ... rates for period April 26, 1993 to May 25, 1993, Scheme ... Reference rate for period Feb 27, 1993 to March 31, 1993 ... and Finance Houses seven days' notice, others seven days' ... April 1, 1993-Bank Deposit Rate for sums at 7 days notice ... Deposit £100,000 and over held under one month $2\frac{3}{4}$ p.c.; ... months 5 p.c.; six-nine months $4\frac{3}{4}$ p.c.; nine-twelve months ... Jan.27, 1993, Deposits withdrawn for cash $1\frac{1}{4}$p.c.

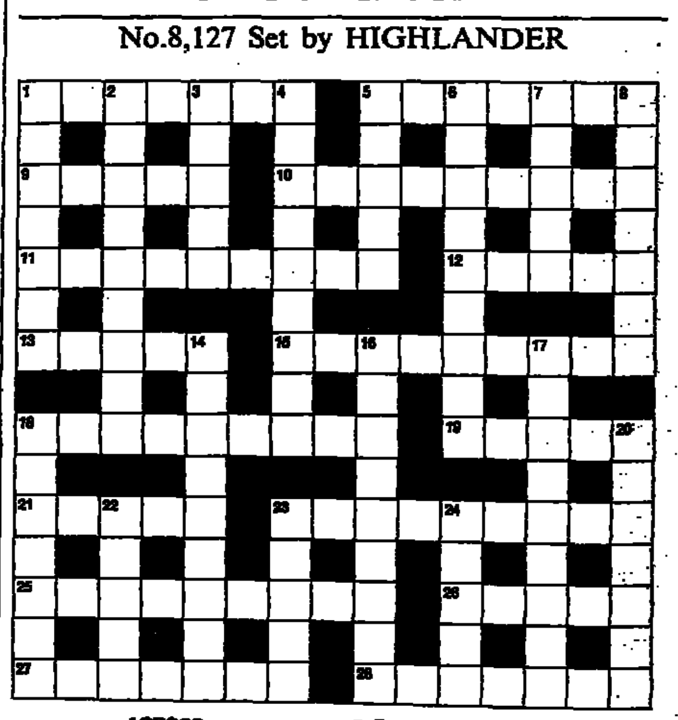
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,127 Set by HIGHLANDER



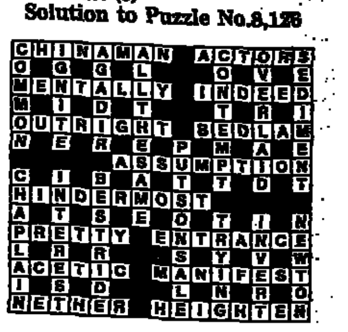
ACROSS

1 Church more likely to assemble group of canons (7)
5 Guide dog (7)
9 Place for stockpiling bread by the sound of it (5)
10 Girl going at a canter after running fast (9)
11 Beer cut back in China (9)
12 Good starter; meal awfully flash (5)
13 Coat without a back slit? The reverse (5)
15 Trooping raggedly north to Kentish town (9)
18 Creature is in deep etc, drunk but far from legless (9)
19 It's observed by astronomers to arrive on time (5)
21 Animal is backward turning up (5)
23 Same arrangement for verbal and visual signalling (9)
25 The act of repeating it leads period into chaos (9)
26 Origins of the waltz first danced in the 60s (5)
27 Going on too long without going after goal (7)
28 AAA member allowed to run in wrong heat (7)

DOWN

1 Prepare to shoot hole in forward section of aircraft (7)
2 Harmonise with one on reed instrument (9)
3 Seventh note about the border subject (5)
4 Resetting arm or leg I find a complicated procedure (9)
5 Supporter of power lines is quiet only when converted (5)
6 Without carbon put in keyboard instrument I start to copy (9)
7 Sudden, stabbing pain? Remove G-string (5)
8 I'm green – can be cooked as a rule (7)
14 Must I go off unpunctual or prompt? (9)
16 Fresh complaint reported by one with a lung problem (9)
17 Delay time to get up (9)
18 Drug firm goes on about origins of its new experiments (7)
20 Plays Mad Hatter with energy (7)
22 Submit return (5)
23 Moves smoothly but loses footing (5)
24 Where players do their stuff as cast (5)

Solution to Puzzle No.8,126



WORLD STOCK MARKETS

AUSTRIA

April 15	Sch	+ or –
Austrian Airlines	1,630	-20
Creditanstalt Pf	534	-1
EA General	3,490	-20
EVN	795	...
Lenzing	567	+4
OeMV	675	-10
Perlmooser Zement	690	...
Radex Heraklith	310	—
Reininghaus Brau	1,280	—
Steyr Daimler	175	-1
Veitscher Magnesit	219.50	+.50
Verbund (Br) A	431	+1
Vienna Int Airport	485	-8
Wienerberger	3,060	-35
Z-Laenderbank	1,055	—

BELGIUM/LUXEMBOURG

April 15	Frs.	+ or –
AG Group	2,555	...
Ackermans	3,120	—
Almanij	7,290	—
Arbed	2,785	+15
BBL	3,670	—
Bank Intl a Lux	11,850	—
Banq Gen Lux Pts.	17,310	+10
Banque Nat Belg.	33,500	—
Bekaert	14,900	-25
CBR Ciment	8,630	+10
CMB	1,700	+50
Cobepa	4,760	+20
Cockerill Priv	116	+3
Colruyt	6,130	-100
Delhaize Frs Lion	1,196	-12
Electrabel	6,290	—
Electrabel AFV1	6,100	-30
Electrafina ACT	2,670	+30
GBL	3,715	+15
GBL AFV 1	3,600	+10
GIB Group	1,272	-2
Generale Banque	8,010	+30
Gevaert	7,310	—

FRANCE

April 15	Frs.
AGF	635
Accor	665
Air Liquide	768
Alcatel Alsthom	678
Axa	1,335
BIC	1,101
BSN	957
BNP Cert Inv	551
Bancaire Cie	458
Bongrain	2,890
Bouygues	699
CGIP	1,095
Canal+	1,295
Cap Gemini S	198.40
CarnaudMetalbox	209
Carrefour	2,674
Casino	146
Chargeurs	1,209
Club Mediterranee	376.10
Cogifi	386
Coparex Int	551
C C F	254
Cr Fonc France	1,160
Cred Lyon (CI)	645
Credit Local Fr	437.60
Credit Nationale	1,286
Damart	3,490
Docks de France	490
Dollfus Mieg Cie	280
EBF	730
Eaux Cie Genl	2,358
Ecco	415
Elf Aquitaine	368.90
Elf Aquitaine Certs	291
Elf Sanofi	990
Eridania B-Say	726
Eridania B-Say Cl	588
Essilor Int	450
Etex	2,206
Eurafrance	1,655
Euro RSCG	480
Euro Disney	85.60
Fin Poliet	495.10
Finextel	133
Fonc Lyonnaise	650
Fromageries Bel	3,980
GTM-Entrepose	434.80
Gal. Lafayette	1,651

CANADA

INDICES

JAPAN

TOKYO - Most Active Stocks

Thursday April 15, 1993

4 pm close April 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
13¼	11½	AAR Corp	0.48	3.7	23	144	12⅞	12⅝	12⅞	+⅛
27¼	20	A L Labs A	0.18	0.8	37	173	23½	22⅞	23	-⅝
61⅜	54⅝	AMP Inc	1.60	2.7	21	419	60⅜	59¾	59⅞	-⅛
70¼	55½	AMR			10	5500	69⅛	67½	68⅝	-½
2	1¾	ARX			11	10	1⅞	d1¾	1⅞	
42½	29⅞	ASA	2.00	5.1	26	744	40	39¼	39⅞	-⅛
30¾	22⅝	Abbott Lab x	0.68	2.7	16	6609	25½	24¾	25½	+⅝
12⅝	10¼	Abitibi Pr x	0.50	4.5	3	20	11⅛	11⅛	11⅛	
11⅜	10¾	ACM Gvt In x	0.96	8.5		364	u11⅜	11¼	11¼	-⅛
9¾	9⅛	ACM GvOpp x	0.79	8.4		40	9⅜	9¼	9⅜	+⅛
9⅝	8¾	ACM Gvt Sp	0.79	8.3		193	9½	9⅜	9½	
11⅜	10½	ACM Gvt Se	0.96	8.5		394	11¼	11⅛	11¼	+⅛
10⅞	9⅝	ACM Man x	1.08	10.2		64	10¾	10⅝	10⅝	-⅛
9⅜	8⅝	ACM Managd x	0.72	7.9		346	9⅛	9	9⅛	+⅛
8⅞	7¾	Acme Cleve	0.40	4.8	17	52	8⅝	8¼	8⅜	-⅛
9¼	6½	Acme Elect			712	19	7⅛	7	7⅛	
16	12⅛	Acuson			11	1497	12⅞	12½	12¾	+¼
22¼	18⅝	Adams Expr	0.48	2.3	1	76	21	20⅞	21	
55	45½	Adv Micro	3.00	5.7		20	53⅛	52½	52⅞	-¼
35	17⅝	Adv Micro P	3.00	12.3	10	4435	24½	24⅛	24⅜	-¼
7¾	5½	Advest Grp	0.16	2.2	14	144	7⅜	7¼	7¼	
49⅜	41⅛	Aegon ADR	1.35	2.9	8	64	46½	46⅜	46½	-¼
53¾	43¾	Aetna Lf	2.76	5.3	105	2771	51⅞	50⅞	51¾	+1
14½	11½	Ahl A	0.26	2.1	30	369	12¼	12⅛	12¼	
38	33	Aflac	0.44	1.1	17	1520	u38⅝	37¾	38½	+⅝
22⅛	17¼	Ahmanson	0.88	4.7	15	5304	19⅝	18¾	18⅞	-¼
7¾	4⅝	Aileen Inc			19	239	5½	5¼	5½	+⅜
48½	40⅜	Air Pr Chm	0.86	2.0	17	2110	43	42	42⅞	+½
24¼	18⅛	Airborne Frt	0.30	1.3	197	898	24⅛	23⅝	23¾	-⅜
26½	18¼	Airgas Inc			36	195	26⅛	25⅞	26⅛	+⅛
[illegible]										
57½	49⅞	Bausch Lmb	0.88	1.7	18	1144	51½	50¾	51¼	-½
32¾	27⅛	Baxter	1.00	3.4	14	4245	29⅝	28⅝	29¼	+¼
28¾	24⅞	Bay St Gas	1.38	4.8	16	127	u29	28⅛	29	+½
25	22	Bd Tr 1998	1.82	7.4		17	24⅝	24¼	24⅝	+⅜
20¾	15¾	Bear Strns	0.60	2.9	7	6510	20½	20	20½	+¼
48	45½	BearStPfA	3.02	6.4		z100	46¾	46¾	47½	+¾
24¾	20½	Bearings	0.64	2.6	125	5	24¾	24¼	24½	
25½	21½	Beckman In	0.36	1.6	14	106	22⅛	21⅞	22	-⅛
40¾	32⅝	Becton Dkc	0.66	1.9	13	2082	34⅞	34⅛	34¾	+⅝
35	29⅝	Belding Hy	0.64	2.1	25	5	30	30	30	
56¾	49⅝	Bell Atlan x	2.58	4.9	16	3702	54¾	53⅞	54¾	+½

Continued on next page

4 pm close April 15

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
22	17¼	S Anita Rt	1.36	7.4	27	158	18½	18⅛	18⅛	+¼
20¾	17	SCOR US Cp	0.32	1.6	49	20	19⅝	19½	19⅝	+⅜
25⅝	20	SPS Techno	1.28	4.9	18	71	u26	25⅜	26	+⅜
13⅞	12⅞	Sabine Rlt x	2.09	14.9	10	38	u14	13⅞	14	+⅛
13⅛	8⅞	Safecard	0.10	0.8	17	425	u13⅛	12½	13⅛	+½
23½	17	Safeg'd Sc			10	15	19⅞	19⅝	19⅝	+⅛
24¾	19⅜	SafetyKln	0.36	1.9	23	3890	19⅛	d18⅜	18½	-1
14⅜	10⅞	Safeway			16	422	13⅝	13½	13½	-⅛
3	2	SafewayW96				20	2¾	2¾	2¾	
44½	37½	StJoePaper	0.20	0.5	77	88	40	39½	39½	-⅜
37⅝	31	StJoeLSP	1.76	4.7	16	16	u37⅝	37⅜	37⅝	
83¼	75	St Paul's	2.80	3.5	20	910	80¼	79½	79½	-⅛
9⅝	8¼	Salant Crp			4	24	8¾	8½	8¾	+¼
75¾	42½	Sallie Mae	1.20	2.7	10	2484	45¼	44¾	44⅞	-¼
18⅞	13	Salomon Br	0.61	4.5		770	13⅝	13⅜	13½	
41⅞	35¾	Salomoninc	0.64	1.7	9	2080	38⅝	37⅞	38	-½
26⅝	23¼	SanDgo G&E	1.48	5.6	15	244	u26⅝	26⅜	26⅝	+⅛
4⅜	3½	SantaFeEDu	0.40	10.3	43	49	4	3⅞	3⅞	
11⅞	9⅛	SantaFeERs	0.16	1.4	162	1804	11⅝	11¼	11⅜	
39¾	35¾	SantaFePac	2.80	6.9	14	201	u40¾	38¾	40¾	+2⅛
16	12¾	SantaFeSth	0.10	0.6	45	6346	15⅝	15¼	15⅝	+⅛
31⅛	24¾	Sara Lee	0.58	2.2	19	6308	26⅛	25⅝	26	-⅛
48½	40⅛	Scana Corp	2.74	5.9	16	264	46⅝	46¼	46⅜	+⅛
49⅝	43	Scecorp	2.80	5.8	14	2338	48½	47⅞	48½	+⅜
38⅞	23⅞	SchererRP			23	385	26¼	25⅞	26¼	+⅜
63⅞	51¾	ScheringPl	1.56	2.7	16	5200	59⅞	58⅛	58⅝	-1⅛
65	55⅜	Schl'berger	1.20	1.9	23	4110	64⅜	63½	63⅝	-1⅛
39	24⅞	Schwab(C)	0.30	0.9	16	4809	38⅞	35	35⅛	-3⅛

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AMEX COMPOSITE PRICES

4 pm close April 15

[illegible]

NASDAQ NATIONAL MARKET

4 pm close April 15

[illegible]

Price data supplied by Telekurs

[illegible]

AMERICA

US equities fall back as profits are taken

Wall Street

AFTER three day's of solid gains, US share prices fell back in the wake of profit-taking and mixed first quarter earnings, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was down 14.58 at 3,441.33. The more broadly based Standard & Poor's 500 was down 1.93 at 446.73, while the Amex composite was 1.57 lower at 418.95, and the Nasdaq composite down 4.96 at 669.00. Trading volume on the NYSE was 156m shares by 1pm.

In recent days, equities have been supported by declining bond yields but yesterday bond yields stopped falling, primarily because of a stronger than expected jobless claims report, which showed that state unemployment insurance claims fell by 38,000 in the first week of the month.

The absence of a lead from the bond market left equities to the mercy of corporate earnings and profit-taking.

The latter appeared to be part of a trend among investors to switch rapidly between sectors in search of quick returns. For example, brokerage stocks were in demand at the start of the week following strong earnings from Merrill Lynch.

Yesterday, however, investors took profits in the sector and moved their money elsewhere, in spite of more news of healthy brokerage profits.

One of the sectors to benefit from switching was forest products, which were buoyed by Wednesday's late news of improved earnings at Georgia-Pacific. That company's stock rose $2⅛ to $64¼, while Weyerhauser, which reported its earnings yesterday, added $1 at $44⅞ and Louisiana-Pacific firmed $1⅛ to $73⅞.

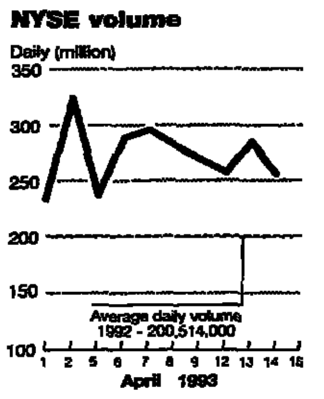
Among declining brokerage stocks, Merrill fell $⅝ to $76⅝, PaineWebber gave up $⅞ at $26¼, Charles Schwab fell $2⅞ to $35⅝ (in spite of reporting record first quarter profits) and Morgan Stanley dropped $1⅞ to $64⅞.

JP Morgan, which derives much of its earnings from the securities business, also got caught up in the sell-off, the shares losing $1⅞ to $69⅞ even after the banking group announced strong first quarter earnings.

Wal-Mart remained under selling pressure, falling another $¼ to $26⅞ in volume of 3.4m shares as investors continued to react negatively to Wednesday's forecast from the company of single-digit sales growth for the rest of this year.

On the Nasdaq market, leading technology issues were lower, with Apple down $1 at $47⅞ and Microsoft down $1⅞ at $87⅞.

NYSE volume



Brazil built on Wednesday's 9 per cent gain as investors took refuge in equities because of fears over rising inflation, which has risen to a monthly level of 25.4 per cent. At mid-session the Bovespa index was up another 1.5 per cent at 21,872.91.

Canada

TORONTO was mixed at midday with strength in banking and forest product companies compensating for losses in gold shares and conglomerates.

The TSE-300 index rose 1.15 to 3,631.00 in light turnover of C$172m.

Actives which included many junior oil and gas companies, were led by American Eagle Petroleums, which edged up 3 cents to 30 cents in more than 2.9m shares.

EUROPE

Intervention rate decision knocks Paris

UNCHANGED intervention rates in Paris gave sentiment a knock yesterday, *writes Our Markets Staff.*

PARIS, too, continued to reflect disappointment at the slight easing in base rates earlier this week, as the CAC-40 index fell 26.80 to 1,988.63 in turnover of FFr2.4bn.

Most of the day's activity took place in Total and Elf, with switching from the latter to the former by some big US houses. Total, recently the subject of a positive broker's note, closed FFr2 higher at FFr272, while Elf slipped FFr2.10 to FFr368.90.

Comments by Mr Edouard Balladur, the prime minister, expressing a wish for the suspension of permits to construct new large retail sites, affected Carrefour, down FFr56 at FFr2,674 and Casion, FFr4.90 lower at FFr146.00.

Lyonnaise Dumez lost a further FFr21.40 or 4.4 per cent to FFr465.30 following Wednesday's disappointing results.

FRANKFURT's DAX index ended 2.77 higher at 1,675.21, 8.34 off its day's high, in turnover up from DM4bn to DM5.6bn. Among the market's superheavyweights, Daimler rose DM2.00 to DM569.50 after an intraday high of DM571.50, Siemens by DM2.60 to DM645.60 after DM649.00 and Deutsche Bank DM2.50 to DM713.00 after DM715.50.

Bigger moves were registered lower in the order, with Kaufhof DM16 higher at DM478 and, in the chemicals sector, Degussa up DM6.50 to DM324, Schering DM8 better at DM767 and Henkel DM8.80 lower at DM546.20.

Mr Roderick Hinkel at Hoare Govett said that Degussa was recovering from a fall on Tuesday, inspired by unwarranted rumours and by thoughts that trouble in South Africa would put the platinum price higher, and Degussa's catalytic converter business at risk.

In fact, he said, the company has made a profit on trading the metal; secondly, Germany gets 80 per cent of its requirements from recycling; and, finally, there has been no halt to platinum production in South Africa to date.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

April 15 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1161.30	1161.49	1161.08	1160.64	1159.55	1159.00	1156.38	1156.40
FT-SE Eurotrack 200	1225.21	1225.36	1226.17	1226.55	1225.71	1225.57	1222.35	1220.62

	Apr 14	Apr 13	Apr 8	Apr 7	Apr 6
FT-SE Eurotrack 100	1160.63	1157.54	1151.40	1144.36	1147.43
FT-SE Eurotrack 200	1223.50	1220.72	1211.28	1206.25	1210.05

Base value 1000 (26/10/90) Highday: 100 - 1161.63; 200 - 1227.57 Lowday: 100 - 1154.66 200 - 1219.64

AMSTERDAM was impressed by publishers, VNU outperforming with a gain of Fl 2.20 to Fl 118.20. VNU sold its printing division earlier this week. Elsewhere in publishing, Wolters Kluwer advanced 80 cents to Fl 94.20 while Elsevier hit a 12-month intraday high before easing slightly to close 20 cents higher at Fl 136.80.

The CBS Tendency index improved 0.4 to 109.6. ING was another of the day's best performers as it reported a rise in 1992 profits, closing 70 cents better at Fl 65.30.

ZURICH continued to be weighed down by the weak dollar, leaving industrial stocks lower and the SMI index down 4.8 at 2,160.9.

Ciba-Geigy bearers remained under pressure, down SFr14 to SFr623, while Nestlé bearers were SFr5 easier at SFr1,140.

Among engineers, Sulzer gained SFr16 to SFr726 on a bank's buy recommendation.

Investment banks were also firm against the trend after March figures showed sharply higher bourse trading volumes. The day's most active issue, Leu Holding which is losing the chief executive of Leu Bank to Swiss Bank, rose SFr6 to SFr417.

MILAN was uncertain, the Comit index edging 3.99 lower to 506.32 in largely technical trading connected with today's end of the monthly account.

Volume remained low ahead of this weekend's referendum on electoral reform, in which a vote in favour of change is viewed as a foregone conclusion. However, the size of the majority will be crucial in laying the ground for a new government to tackle the country's political and economic problems, which will provide the lead for the future direction of the bourse.

VIENNA saw a fall in the ATX index of 4.59 to 775.27. Austrian Airlines fell another Sch20 to Sch1,530 ahead of today's 1992 results, which are expected to show a loss for the first time in 20 years.

ISTANBUL firmed 1.5 per cent after Wednesday's pause for breath, leaving the market to close at its seventh record high this month. The market index added 102.2 to 6,962.52.

Malaysia enjoys frantic trading activity

Investor interest has mainly concentrated on second-line stocks, writes Kieran Cooke

Brokers forced to sleep in the office at night as they battle with the paperwork of millions of share transactions; helicopters chartered to fly scrip in from various parts of the country: the pace is frantic on the Kuala Lumpur stock exchange.

In terms of trading volume Kuala Lumpur has outperformed New York on several recent days. Whereas a year ago about 30m shares were being traded daily, by the middle of this week daily volume was more than 1bn units valued at nearly M$2.5bn ($950m). Market values are considerably higher in New York, but daily trading volume is only in the 250m to 300m shares area.

Malaysian share prices are also at peak levels, but they have experienced a far more modest rise. Against a figure of 644 at the end of last year, the KLSE composite index yesterday hit an all-time closing high of 660.73 against a previous peak of 660.35 last November 5.

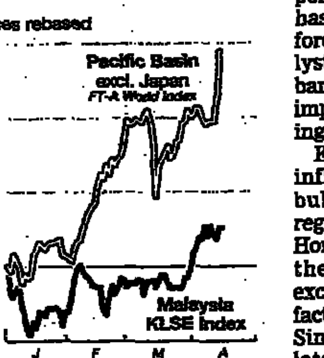
Tenaga Nasional and Telekom, the partially privatised electricity and telecommunications utilities, together account for nearly 40 per cent of market capitalisation. But trading in these stocks has been light: instead investors have been trading unprecedented volumes of secondary stocks.

For instance, Idris Hydraulic, a financial and property holding company, has seen its share value leap by 300 per cent. Malaysia is embarking on a number of large infrastructure projects, including the construction of another international airport outside Kuala Lumpur, new sewage systems and power generation facilities. There have been strong rumours that Idris, said to be politically well connected, might be awarded work on some of these lucrative projects.

Renong is a larger company than Idris with interests in construction, manufacturing and financial services. It, too, is believed to have substantial political connections, serving in the past as the investment vehicle of the ruling United Malays National Organisation (UMNO). There are rumours that Renong might also be awarded valuable government contracts and trading in its shares has likewise been exceptionally heavy.

Officials insist that the present frenzied activity, which began more than a week ago, is a reflection of the country's buoyant economy. In each of the past five years Malaysia has achieved growth rates of more than 8 per cent and while some slowdown is evident, most analysts predict 1993 GDP growth of between 7 and 8 per cent.

But there are plenty of sceptics. "The fundamentals of the economy are not that much different from a year ago – if anything things are not looking so good now," said one broker. "There's really no logical reason for all this activity. It's just that people have suddenly decided to indulge in an orgy of speculative buying and selling."



Source: FT Graphite

Malaysia's sound economic performance of recent years has encouraged record levels of foreign capital inflow and analysts say that the liquidity rich banking system has been an important factor in encouraging market activity.

Kuala Lumpur has also been influenced by the generally bullish sentiment in other regional markets, particularly Hong Kong and Tokyo. In turn the performance of the exchange has been the main factor behind the recent rise in Singapore, with Malaysian-related stocks being the main focus of attention.

Concern has been expressed about Kuala Lumpur's ability to cope with the present trading volumes. In early 1990 the exchange could not cope with a sudden surge in volume and M$250m worth of share certificates went missing. The incident took several months to sort out and raised questions about the exchange's management. Hence the warning from Mr Salleh Majid, the exchange's general manager, for brokers not to trade beyond their financial and physical capabilities.

There have been allegations that well organised syndicates involving speculators from Taiwan, Malaysia and Singapore have been launching raids on individual stocks to ramp up the market. The exchange says that it is closely monitoring the market and that, so far, it has found no evidence of manipulation.

Most brokers feel that while the present trading surge is unlikely to last many more days, the market will probably consolidate rather than experience a steep rise or fall. "We know it can't go on like this," said one weary broker. "But it's fun to think that, for a few days at least, little Kuala Lumpur has been outgunning New York."

SOUTH AFRICA

SHARES bounced back after Wednesday's sharp falls helped by late US buying. The overall index closed 47 higher at 3,542 while the gold and industrial indices both rose 31 to 1,199 and 4,371 respectively. De Beers rose R2.50 to R75.50.

ASIA PACIFIC

Arbitrage activity boosts Nikkei as Topix eases

Tokyo

ARBITRAGE-related buying led by the futures markets boosted equities to intraday highs in late trading, but overall share prices ended mixed amid choppy activity, *writes Wayne Aponte in Tokyo.*

The Nikkei average closed 142.46 higher at a session peak of 20,675.84, after a low of 20,394.14, while the broader Topix Index of all first section issues lost 3.07 to close at 1,589.73.

Volume was estimated at 620m shares, down from 830.2m, as advances outpaced declines by 590 to 457 with 144 unchanged. In London, the ISE/Nikkei 50 index fell 0.16 to 1,254.86.

Traders said that the Topix is more representative of current market sentiment, and they doubt that the Nikkei's strength will last. An analyst at a Japanese brokerage said that investors are waiting for stocks to consolidate before they enter the market more aggressively.

Speculative dealers targeted non-ferrous metal stocks on reports of violence and rioting in South Africa, together with the subsequent strengthening of gold prices. Sumitomo Metal Mining, the day's most active issue, rose Y82 to Y972 and Mitsui Mining and Smelting by Y26 to Y532.

Sega, the video game and entertainment company, rose Y340 to Y10,100 on reports that it will co-operate with American cable television companies to deliver video game software to the US.

Foreign and domestic institutional investors remained subdued, awaiting the outcome of the G7 meeting here. So far Russian reform has been a primary focus of the G7 meeting.

Foreign exchange-rate stability gave a boost to Nikon, which ended Y35 higher at Y1,030, while Canon rose Y10 to Y1,540.

Nissan Diesel ended at Y520, up Y80, the maximum high for the day, on reports that the manufacturer and Ibiden, a Japanese chemical company, had made progress in developing a filter to cut nitrogen oxide emissions for diesel engined vehicles.

NTT dropped Y20,000 lower to Y1.02m. The financial sector also suffered losses across the board. Mitsubishi Bank declined Y50 to Y2,490, Daiwa Bank lost Y50 to Y1,100 and the brokerage house, Nikko Securities, slipped Y40 to Y1,040.

In Osaka, the OSE average rose 25.59 to 22,178.69 in volume of 27.1m shares.

Roundup

PACIFIC Rim markets put in mostly strong performances with a number of markets at or near record highs.

HONG KONG, however, turned lower as profits were taken after Wednesday's record-breaking rally, and the Hang Seng index ended 57.70 lower at 6,732.04 in turnover of HK$5.68bn.

HSBC Holdings continued to top the most active list, falling 50 cents to HK$73.

SINGAPORE's Straits Times Industrial index rose 22.79 to a record close of 1,731.40 in turnover which was also at an all-time high of S$765.31m. The surge in volume was attributed to demand by fund managers who are currently underweight in Singapore.

TAIWAN saw late demand for bank shares pull the market to a sharply higher close. The weighted index rose 119.64 or 2.61 per cent to 4,695.49 although turnover remained thin at T$31.7bn. Small investors took a lead from institutions which began buying financial stocks in the last trading hour.

MANILA closed at an all-time high amid heavy buying of oils, on expectations that drilling projects off Palawan, south-west of Manila, will yield positive results. Foreign buying helped the composite index 4.4 higher to 1,583.25, surpassing the previous all-time high of 1,580.95 set on June 11.

SEOUL picked up from an easier start after an aggressive, across-the-board late buying spree. The composite index, which lost 7.69 points during the morning, ended 11.84 higher at 716.76.

BOMBAY moved ahead as it returned to work after Wednesday's holiday. The BSE index rose 66.28 to 2,293.12 as the nervousness which had gripped the market since last week's announcement of a credit policy subsided.

BANGKOK benefited from strong institutional buying of banking and finance shares and the SET index rose 11.84 or 1.37 per cent to 874.55.

AUSTRALIA edged lower after Wednesday's surge and the All Ordinaries index shed 0.3 at 1704.1.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 14 1993								TUESDAY APRIL 13 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	144.19	+1.7	137.70	103.86	119.31	132.83	+1.0	3.72	141.75	134.80	101.66	116.37	131.47	144.19	117.39	144.61
Austria (18)	145.27	−1.5	138.73	104.64	120.20	120.19	−0.9	1.89	147.51	140.28	105.69	121.08	121.26	150.96	131.16	167.40
Belgium (42)	155.39	−0.9	148.40	111.92	128.57	125.50	+0.0	4.51	156.76	149.07	112.31	128.68	125.44	156.76	131.19	137.38
Canada (110)	122.42	−0.2	116.91	88.17	101.28	112.00	+0.1	2.97	122.64	116.63	87.87	100.67	111.89	125.97	111.41	130.10
Denmark (33)	213.62	+1.0	204.00	153.87	176.75	177.16	+1.6	1.30	211.46	201.10	151.51	173.59	174.36	213.62	185.11	233.03
Finland (23)	85.59	+2.0	81.73	61.65	70.82	99.73	+0.4	1.25	83.93	79.82	60.14	68.90	99.30	85.59	65.50	75.42
France (98)	167.12	−0.1	159.59	120.37	138.26	140.97	+0.6	3.19	167.36	159.16	119.91	137.38	140.19	167.36	142.72	156.35
Germany (62)	116.17	−0.6	110.94	83.69	96.12	96.12	+0.2	2.21	116.86	111.14	83.74	95.93	95.93	116.86	101.59	118.32
Hong Kong (55)	270.95	+5.6	258.75	195.16	224.20	268.95	+5.6	3.44	256.53	243.96	183.80	210.60	254.66	270.95	218.82	207.39
Ireland (15)	170.40	+0.6	162.73	122.74	140.99	156.67	+1.5	3.38	169.33	161.03	121.33	139.01	154.33	170.40	129.28	158.89
Italy (73)	62.85	−1.0	60.02	45.27	52.00	72.26	+0.1	2.78	63.47	60.36	45.48	52.10	72.19	64.26	53.78	69.72
Japan (470)	139.39	−1.7	133.12	100.40	115.35	100.40	−1.2	0.83	141.84	134.89	101.63	116.45	101.63	141.84	100.75	97.66
Malaysia (69)	298.85	+1.9	285.39	215.25	247.26	297.06	+2.0	2.26	293.40	279.02	210.21	240.85	291.37	298.85	251.66	229.67
Mexico (18)	1654.22	−0.8	1579.73	1191.53	1368.73	5603.16	−0.8	1.07	1667.12	1585.41	1194.50	1368.57	5648.67	1725.81	1410.30	1702.49
Netherland (24)	171.94	−0.5	164.20	123.85	142.27	140.20	+0.2	3.94	172.75	164.28	123.77	141.81	139.91	172.75	150.39	152.73
New Zealand (13)	47.36	+1.3	45.23	34.11	39.19	46.28	+0.9	4.73	46.77	44.47	33.51	38.39	45.86	47.36	40.56	42.98
Norway (22)	156.44	−1.2	149.39	112.68	129.44	143.17	−0.7	1.84	158.26	150.51	113.40	129.92	144.25	158.26	137.71	169.20
Singapore (38)	229.27	+0.5	218.95	165.14	189.70	171.74	+0.7	1.96	228.08	216.91	163.42	187.24	170.49	231.24	207.04	200.14
South Africa (60)	161.99	−4.0	154.70	116.68	134.03	171.19	−1.3	2.94	168.73	160.46	120.89	138.51	173.52	178.48	144.72	226.21
Spain (45)	131.35	−0.3	125.43	94.61	108.68	114.18	+0.4	5.31	131.72	125.26	94.38	108.13	113.76	131.72	115.23	149.63
Sweden (36)	166.20	+0.5	158.71	119.71	137.52	182.13	+0.1	1.85	165.38	157.27	118.50	135.77	181.91	168.80	149.70	184.60
Switzerland (56)	119.80	−1.4	114.40	86.29	99.13	108.14	−0.6	2.01	121.49	115.54	87.05	99.75	108.84	121.49	108.91	98.68
United Kingdom (219)	178.25	−0.5	170.22	128.38	147.47	170.22	−0.1	4.06	179.22	170.43	128.40	147.11	170.43	179.22	162.00	185.43
USA (519)	183.23	−0.1	174.98	131.99	151.62	183.23	−0.1	2.77	183.44	174.45	131.44	150.60	183.44	186.27	175.38	169.59
Europe (766)	147.06	−0.5	140.43	105.92	121.68	132.99	+0.1	3.37	147.81	140.57	105.91	121.35	132.91	147.81	133.92	147.04
Nordic (114)	157.87	+0.7	150.76	113.71	130.62	151.29	+0.6	1.65	156.84	149.15	112.37	128.75	150.59	157.87	142.13	172.79
Pacific Basin (713)	143.31	−1.2	136.85	103.23	118.58	106.35	−0.7	1.13	145.00	137.89	103.89	119.03	107.14	145.00	105.89	103.02
Euro-Pacific (1479)	144.72	−0.9	138.20	104.23	119.74	117.74	−0.4	2.06	146.03	138.87	104.62	119.87	118.22	146.03	117.26	120.83
North America (629)	179.46	−0.1	171.38	129.28	148.51	178.40	−0.1	2.78	179.66	170.86	128.74	147.51	178.59	182.38	171.51	167.10
Europe Ex. UK (547)	127.60	−0.5	121.86	91.93	105.60	111.87	+0.2	2.91	128.23	121.95	91.90	105.29	111.66	128.23	112.51	124.11
Pacific Ex. Japan (243)	182.08	+3.1	173.88	131.17	150.67	165.05	+2.9	3.29	176.52	167.87	126.50	144.93	160.36	182.08	152.70	155.85
World Ex. US (1667)	145.05	−0.9	138.52	104.49	120.02	119.54	−0.4	2.08	146.39	139.22	104.90	120.18	120.03	146.39	118.51	123.35
World Ex. UK (1967)	154.81	−0.6	147.84	111.52	128.11	136.01	−0.3	2.17	155.77	148.13	111.61	127.88	136.43	155.77	134.22	133.54
World Ex. So. Af. (2126)	156.97	−0.6	149.90	113.08	129.89	138.85	−0.3	2.35	157.88	150.14	113.13	129.62	139.24	157.88	137.29	137.45
World Ex. Japan (1716)	167.89	−0.1	160.33	120.94	138.94	160.69	+0.1	3.00	168.09	159.86	120.45	138.01	160.53	168.09	157.47	160.56
The World Index (2186)	156.87	−0.6	149.81	113.00	129.81	139.18	−0.3	2.35	157.83	150.09	113.09	129.57	139.59	157.83	137.32	138.01

Constituent change with effect 16/4/93: Deletion: Swiss Bank Corp. (P.C.) (Switzerland). Latest prices were unavailable for this edition.